STATE OF CALIFORNIA
Franchise Tax Board

541

2023

Fiduciary Income Tax Booklet

California

Forms & Instructions

This booklet contains:

Form 541, California Fiduciary Income Tax Return
~~**Schedule D (541),** Capital Gain or Loss~~
~~**FTB 3885F,** Depreciation and Amortization~~
~~**Schedule J (541),** Trust Allocation of an Accumulation Distribution~~
Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc.
~~**Form 541-ES,** Estimated Tax for Fiduciaries~~
~~**Form 541-T,** California Allocation of Estimated Tax Payments to Beneficiaries~~
~~**FTB 3563,** Payment for Automatic Extension for Fiduciaries~~

For more information regarding e-file, go to **ftb.ca.gov** and search for **fiduciary efile**.

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California Fiduciary Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to **ftb.ca.gov** and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540), California Adjustments - Residents, or Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents, and the Business Entity tax booklets.

For updates regarding federal acts go to **ftb.ca.gov** and search for **conformity**.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the instructions. Taxpayers should not consider the instructions as authoritative law.

What's New

~~**Incomplete Gift Non-Grantor (ING) Trusts** – For taxable years beginning on or after January 1, 2023, the income of an incomplete gift non-grantor (ING) trust shall be included in a qualified taxpayer's gross income as if it were a grantor trust under R&TC Section 17731. The income of an ING trust for a taxable year shall not be included in a qualified taxpayer's gross income if an irrevocable election is timely filed in the form and manner prescribed by the Franchise Tax Board (FTB), and the requirements of R&TC Section 17082 are met. The ING trust income is reported on the grantor's income tax return. See "Incomplete Gift Non-Grantor (ING) Trust" and "ING Trust with an Annual Election" under General Information Section C, Who Must File, for more details and filing requirements.~~

Reporting Requirements – Taxpayers may need to file form FTB 4197, Information on Tax Expenditure Items, with the tax return to report tax expenditure items as part of the FTB's annual reporting requirements under R&TC Section 41. To determine if you have an R&TC Section 41 reporting requirement, see the R&TC Section 41 Reporting Requirements section or get form FTB 4197.

Use Tax – For taxable years beginning on or after January 1, 2023, and before January 1, 2029, you may not report business purchases subject to use tax on your income tax return if you make more than $10,000 in purchases subject to use tax per calendar year and have not paid use tax on those purchases to a retailer engaged in business in California or to a retailer authorized by the California Department of Tax and Fee Administration to collect the tax. For other use tax requirements, see specific line instructions for Form 541, line 34 and R&TC Section 6225.

~~**Governor Declared Disaster Extension** – The sunset date for the deduction for disaster losses sustained in Governor declared disaster areas is extended until taxable years beginning before January 1, 2029. For more information, get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Individuals, Estates, and Trusts and see R&TC Section 17207.14.~~

~~**California Microbusiness COVID-19 Relief Grant** – The gross income exclusion for the California Microbusiness COVID-19 Relief Grant is extended until taxable years beginning before January 1, 2025. For more information, see R&TC Section 17158.1.~~

Kincade Wildfire Exclusion – For taxable years beginning on or after January 1, 2020, and before January 1, 2028, California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received in a settlement from ~~Pacific Gas and Electric (PG&E)~~ Company or its subsidiary relating to the 2019 Kincade Fire. If a qualified taxpayer included income for a qualified amount received from this settlement in a prior taxable year, the taxpayer can file an amended tax return for that year within the normal statute of limitations. For more information, see R&TC Section 17139.2.

Zogg Wildfire Exclusion – For taxable years beginning on or after January 1, 2020, and before January 1, 2028, California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received in a settlement from PG&E Company or its subsidiary relating to the 2020 Zogg Fire. If a qualified taxpayer included income for a qualified amount received from this settlement in a prior taxable year, the taxpayer can file an amended tax return for that year within the normal statute of limitations. For more information, see R&TC Section 17139.3.

~~**New Employment Credit Expansion** – For taxable years beginning on or after January 1, 2023, and before January 1, 2026, the New Employment Credit is expanded for qualified taxpayers engaged in semiconductor manufacturing or semiconductor research and development, lithium production, manufacturing of lithium batteries, or electric airplane manufacturing. For more information, get FTB 3554, New Employment Credit Booklet, and see R&TC Section 17053.73.~~

~~**Program 3.0 California Motion Picture and Television Production Credit** – For taxable years beginning on or after January 1, 2020, California law allows the Program 3.0 California Motion Picture and Television Production Credit to reduce net tax below the tentative minimum tax (TMT). For more information, get form FTB 3541, California Motion Picture and Television Production Credit, and see R&TC Section 17039.~~

~~**Soundstage Filming Tax Credit** – For taxable years beginning on or after January 1, 2022, California law allows the Soundstage Filming Tax Credit to reduce net tax below the TMT. For more information, get form FTB 3541 and see R&TC Section 17039.~~

~~**Low-Income Housing Credit** – For taxable years beginning on or after January 1, 2023, California law allows a taxpayer to claim the Low-Income Housing Credit in the taxable year the building is placed in service and the federal credit period commences, based upon taxpayer certification, even if the California Tax Credit Allocation Committee (CTCAC) has not yet issued a certificate. If the CTCAC issues a certificate with a credit amount that is inconsistent with the taxpayer's certification, upon which a credit has been claimed, the taxpayer is required to amend any previously filed tax returns to reflect the credit amount certified by the CTCAC. For more information, get form FTB 3521, Low-Income Housing Credit and see R&TC Section 17058.~~

~~**High-Road Cannabis Tax Credit** – For taxable years beginning on or after January 1, 2023, and before January 1, 2028, the High-Road Cannabis Tax Credit (HRCTC) will be available to licensed commercial cannabis businesses that meet the qualifications. The credit is allowed to a qualified taxpayer in an amount equal to 25% of qualified expenditures in the taxable year. The credit amount cannot exceed $250,000. Unused credit may be carried forward up to eight years. All types of entities, except for exempt organizations, are eligible to claim this credit.~~

~~A qualified taxpayer must request a tentative credit reservation from the FTB during the month of July for each taxable year or within 30 days of the start of their taxable year if the qualified taxpayer's taxable year begins from August 1st through December 31st.~~

~~For more information, get form FTB 3820, High-Road Cannabis Tax Credit, see R&TC Section 17053.64, or go to **ftb.ca.gov** and search for **hrctc**.~~

~~**Cannabis Equity Tax Credit** – For taxable years beginning on or after January 1, 2023, and before January 1, 2028, a Cannabis Equity Tax Credit (CETC) is available to equity licensees that have received approval, including approval contingent upon the availability of funds, for the fee waiver and deferral program administered by the Department of Cannabis Control (DCC). The allowable credit is $10,000 per taxable year for each qualified taxpayer. Unused credit may be carried forward up to eight years. All types of entities, except for exempt organizations, are eligible to claim this credit. For more information, get form FTB 3821, Cannabis Equity Tax Credit, see R&TC Section 17053.82, or go to **ftb.ca.gov** and search for **cetc**.~~

R&TC Section 41 Reporting Requirements

Taxpayers should file form FTB 4197 with the tax return to report tax expenditure items as part of the FTB's annual reporting requirements under R&TC Section 41. "Tax expenditure" means a credit, deduction, exclusion, exemption, or any other tax benefit provided for by the state. The FTB uses information from form FTB 4197 for reports required by the California Legislature. Taxpayers that have a reporting requirement for any of the following should file form FTB 4197:

- For taxable years beginning on or after January 1, 2020, and before January 1, 2028, qualified taxpayers who benefited from the exclusion from gross income for any qualified amount received in a settlement from ~~PG&E~~ Company or its subsidiary relating to the 2019 Kincade Fire.
- For taxable years beginning on or after January 1, 2020, and before January 1, 2028, qualified taxpayers who benefited from the exclusion from gross income for any qualified amount received in a settlement from PG&E Company or its subsidiary relating to the 2020 Zogg Fire.
- For taxable years beginning before January 1, 2027, qualified taxpayers who benefited from the exclusion from gross income for any amount received in a settlement from Southern California Edison for claims relating to the 2017 Thomas Fire or the 2018 Woolsey Fire.
- For taxable years beginning on or after January 1, 2021, taxpayers who benefited from the exclusion from gross income for the Paycheck Protection Program (PPP) loans forgiveness, other loan forgiveness, the Economic Injury Disaster Loan (EIDL) advance grant, restaurant revitalization grant, or shuttered venue operator grant, and related eligible expense deductions.
- For taxable years beginning on January 1, 2022, and before January 1, 2027, taxpayers who benefited from the exclusion of gross income for any amount received as a rebate, voucher, or other financial incentive issued by a public water system, as defined, local government, or state agency for participation in a turf replacement water conservation program.
- ~~Beginning in taxable year 2020,~~ a taxpayer operating a commercial cannabis activity that is licensed under California Medicinal and Adult-Use Cannabis Regulation and Safety Act.

For more information, get form FTB 4197.

General Information

A Important Information

e-file – The FTB offers e-file for fiduciaries filing Form 541, California Fiduciary Income Tax Return. Check with the software provider to see if they support fiduciary (estate or trust) e-file.

Electronic Funds Withdrawal (EFW) – Fiduciaries can make an extension or estimated tax payment using tax preparation software. Check with your software provider to determine if they support EFW for extension and estimated tax payments.

Pass-Through Entity (PTE) Elective Tax and Other State Tax Credit Calculation – For taxable years beginning on or after January 1, 2022, and before January 1, 2026, the calculation of the other state tax credit has changed. California law allows a qualified partner, member, or shareholder to increase the net tax payable by the amount of the allowed PTE tax credit for the taxable year. For more information, see R&TC Section 17052.10.

Turf Replacement Water Conservation Program – For taxable years beginning on or after January 1, 2022, and before January 1, 2027, California law allows an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a public water system, as defined, local government, or state agency for participation in a turf replacement water conservation program. For more information, see R&TC Section 17138.2.

Thomas and Woolsey Wildfires Exclusion – For taxable years beginning before January 1, 2027, California law allows a qualified taxpayer an exclusion from gross income for any amount received in a settlement from Southern California Edison for claims relating to the 2017 Thomas Fire or the 2018 Woolsey Fire. If a qualified taxpayer included income for an amount received from these settlements in a prior taxable year, the taxpayer can file an amended tax return for that year. If the normal statute of limitations has expired, the taxpayer must file a claim by September 29, 2023. For more information, see R&TC Section 17138.6.

Fire Victims Trust Exclusion – For taxable years beginning before January 1, 2028, California law allows a qualified taxpayer an exclusion from gross income for any amount received from the Fire Victims Trust, established pursuant to the order of the United States Bankruptcy Court for the Northern District of California dated June 20, 2020, case number 19-30088, docket number 8053. If a qualified taxpayer included income for an amount received from the Fire Victims Trust in a prior taxable year, the taxpayer can file an amended tax return for that year. If the normal statute of limitations has expired, the taxpayer must file a claim by September 29, 2023. For more information, see R&TC Section 17138.5.

Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Relief Grant – For taxable years beginning on or after January 1, 2021, and before January 1, 2030, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Relief Grant Program that is established by Section 12100.975 of the Government Code. For more information, see R&TC Section 17158.

California Microbusiness COVID-19 Relief Grant – For taxable years beginning on or after January 1, 2020, and before January 1, 2025, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Microbusiness COVID-19 Relief Program that is administered by the Office of Small Business Advocate (CalOSBA). For more information, see R&TC Section 17158.1.

Shuttered Venue Operator Grant – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for amounts awarded as a shuttered venue operator grant under the federal Consolidated Appropriations Act (CAA), 2021. The CAA, 2021 allows deductions for eligible expenses paid for with grant amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021. For more information, see R&TC Section 17158.3.

Other Loan Forgiveness – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for borrowers of forgiveness of indebtedness described in Section 1109(d)(2)(D) of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act as stated by Section 278, Division N of the CAA, 2021. The CAA, 2021 allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions generally do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of the CAA, 2021. For more information, go to **ftb.ca.gov** and search for **AB 80**.

Elective Tax for Pass-Through Entities (PTE) and Credit for Owners – For taxable years beginning on or after January 1, 2021, and before January 1, 2026, California law allows an entity taxed as a partnership or an "S" corporation to annually elect to pay an elective tax at a rate of 9.3% based on its qualified net income. The election shall be made on an original, timely filed return and is irrevocable for the taxable year.

The law allows a credit against the personal income tax to a taxpayer, other than a partnership, that is a partner, shareholder, or member of a qualified entity that elects to pay the elective tax, in an amount equal to 9.3% of the partner's, shareholder's, or member's pro rata share or distributive share and guaranteed payments of qualified net income subject to the election made by the qualified entity. Generally, a disregarded business entity and its partners or members cannot receive the credit, except for a disregarded single member limited liability company (SMLLC) that is owned by an individual, fiduciary, estate, or trust subject to personal income tax. For more information, go to **ftb.ca.gov** and search for **pte elective tax** and get the following PTE elective tax forms and instructions:

- Form FTB 3893, Pass-Through Entity Elective Tax Payment Voucher
- Form FTB 3804, Pass-Through Entity Elective Tax Calculation
- Form FTB 3804-CR, Pass-Through Entity Elective Tax Credit

California Venues Grant – For taxable years beginning on or after September 1, 2020, and before January 1, 2030, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Venues Grant Program that is administered by the CalOSBA. For more information, see R&TC Section 17158.

Gross Income Exclusion for Bruce's Beach – Effective September 30, 2021, California law allows an exclusion from gross income for the first time sale in the taxable year in which the land within Manhattan State Beach, known as "Peck's Manhattan Beach Tract Block 5" and commonly referred to as "Bruce's Beach" is sold, transferred, or encumbered. A recipient's gross income does not include the following:

- Any sale, transfer, or encumbrance of Bruce's Beach;
- Any gain, income, or proceeds received that is directly derived from the sale, transfer, or encumbrance of Bruce's Beach.

Small Business COVID-19 Relief Grant Program – For taxable years beginning on or after January 1, 2020, and before January 1, 2030, California allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the COVID-19 Relief Grant under Executive Order No. E 20/21-182 and the California Small Business COVID-19 Relief Grant Program established by Section 12100.83 of the Government Code. If any amount was included for federal purposes, exclude that amount for California purposes.

Paycheck Protection Program (PPP) Loans Forgiveness – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for covered loan amounts forgiven under the CARES Act, Paycheck Protection Program and Health Care Enhancement Act, Paycheck Protection Program Flexibility Act of 2020, the CAA, 2021, or the PPP Extension Act of 2021.

Also, the federal American Rescue Plan Act of 2021 (ARPA) expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility.

The CAA, 2021 allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021. For more information, see R&TC Section 17131.8 or go to **ftb.ca.gov** and search for **AB 80**.

Loophole Closure and Small Business and Working Families Tax Relief Act of 2019 – In general, for taxable years beginning on or after January 1, 2019, California law conforms to the following federal Tax Cuts and Jobs Act (TCJA) provision:

- Excess business loss.

Excess Business Loss Limitation – The CARES Act made amendments to IRC Section 461(l) by eliminating the excess business loss limitation of noncorporate taxpayers for taxable year 2020 and retroactively removing the limitation for taxable years 2018 and 2019. California law does **not** conform to those amendments. Also, California law does not conform to the federal changes in the ARPA and the Inflation Reduction Act of 2022 that extends the limitation on excess business losses of noncorporate taxpayers for taxable years beginning after December 31, 2020, and ending before January 1, 2029. Complete form FTB 3461, California Limitation on Business Losses, if you are a noncorporate taxpayer and your net losses from all of your trades or businesses are more than $~~289,000~~.

Like-Kind Exchanges – The TCJA amended IRC Section 1031 limiting the nonrecognition of gain or loss on like-kind exchanges to real property held for productive use or investment. California law conforms to this change under the TCJA for exchanges initiated after January 10, 2019. However, for California purposes, with regard to individuals, this limitation only applies to:

- A taxpayer who is a head of household, a surviving spouse, or spouse fling a joint return with adjusted gross income (AGI) of $500,000 or more for the taxable year in which the exchange begins.
- Any other taxpayer filing an individual return with AGI of $250,000 or more for the taxable year in which the exchange begins.

California requires taxpayers who exchange property located in California for like-kind property located outside of California, and meet all of the requirements of the IRC Section 1031, to file an annual information return with the FTB. For more information, get form FTB 3840, California Like-Kind Exchanges, or go to **ftb.ca.gov** and search for **like kind**.

Global Intangible Low-Taxed Income (GILTI) under IRC Section 951A – Under federal law, if you are a U.S. shareholder of a controlled foreign corporation, you must include your GILTI in your income. California **does not** conform.

IRC Section 199A – California **does not** conform to the new federal deduction for qualified business income of pass-through entities under IRC Section 199A.

Payments and Credits Applied to Use Tax – For taxable years beginning on or after January 1, 2015, if a fiduciary includes use tax on its income tax return, payments and credits will be applied to use tax first, then towards franchise or income tax, interest, and penalties. For more information, see General Information Q, California Use Tax and Specific Line Instructions.

Disaster Losses – For taxable years beginning on or after January 1, 2014, and before January 1, 2029, taxpayers may deduct a disaster loss for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Additional information can be found in the instructions for California form FTB 3805V.

Unrelated Business Taxable Income – California law conforms, as modified, to the federal provisions for charitable remainder annuity trusts and charitable remainder unitrusts by providing that the trust's income shall be tax-exempt, except for any unrelated business taxable income (UBTI). The trust is taxable on the UBTI. For more information get Form 541-B, Charitable Remainder and Pooled Income Trusts.

Elimination of Tax Clearance Requirement – Effective on or after January 1, 2014, California no longer requires any estate to obtain a Tax Clearance Certificate.

Single-Sales Factor Formula – For taxable years beginning on or after January 1, 2013, R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), to apportion its business income to California using the single sales factor formula. For more information, get Schedule R, Apportionment and Allocation of Income, or go to **ftb.ca.gov** and search for **single sales factor**.

Market Assignment – For taxable years beginning on or after January 1, 2013, R&TC Section 25136 requires all taxpayers to assign sales, other than sales of tangible personal property, using market assignment. For more information, get Schedule R or go to **ftb.ca.gov** and search for **market assignment**.

Backup Withholding – With certain limited exceptions, payers that are required to withhold and remit backup withholding to the Internal Revenue Service (IRS) are also required to withhold and remit to the FTB on income sourced to California. If the estate or trust (payee) has backup withholding, the estate or trust (payee) must contact the FTB to provide a valid taxpayer identification number, before filing the tax return. Failure to provide a valid taxpayer identification number may result in a denial of the backup withholding credit. For more information, go to **ftb.ca.gov** and search for **backup withholding**.

Nonresident Group Tax Returns – A corporation may file a group nonresident tax return on behalf of certain electing nonresident individuals who receive wages, salaries, fees, or other compensation from that corporation for director services performed in California, including attendance of board of directors' meetings in California. For more information, get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR.

Providing California and Federal Returns – The FTB may request a copy of California or federal tax returns that are subject to or related to a federal examination. Generally, the California statute of limitations is four years from the due date of the tax return or from the date filed, whichever, is later. However, the statute is extended in situations in which an individual or a business entity is under examination by the IRS.

The FTB recommends keeping copies of returns and records that verify income, deductions, adjustments, or credits reported, for at least the minimum time required under the statute of limitations. However, some records should be kept much longer.

Fiduciaries may be required to produce documentation substantiating the claimed basis of any assets sold, exchanged, transferred, or distributed regardless of the original acquisition date.

California Disclosure Obligations – If the fiduciary was involved in a reportable transaction, including a listed transaction, the fiduciary may have a disclosure requirement. Attach the federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the tax return, send a duplicate copy of the federal Form 8886 to the address below. The FTB may impose penalties if the trust fails to file federal Form 8886, or any other required information.

TAX SHELTER FILING
ABS 389 MS F340
FRANCHISE TAX BOARD
PO BOX 1673
SACRAMENTO CA 95812-9900

For more information, go to **ftb.ca.gov** and search for **disclosure obligation.**

Claim of Right – If the fiduciary had to repay an amount that was included in income in an earlier year, under a claim of right, the fiduciary may be able to deduct the amount repaid from its income for the year in which it was repaid. Or, if the amount the fiduciary repaid is more than $3,000, the fiduciary may be able to take a credit against its tax for the year in which it was repaid. For more information, see the Repayments section of federal Pub. 525, Taxable and Nontaxable Income.

B Purpose

Use Form 541 if any of the following apply to report:

- Income received by an estate or trust
- Income that is accumulated or currently distributed to the beneficiaries
- An applicable tax liability of the estate or trust
- File an amended tax return for the estate or trust

A fiduciary includes a trustee of a trust including a qualified settlement fund, or an executor, administrator, or person in possession of property of a decedent's estate.

For taxation purposes, a trust will generally be regarded as a separate entity. However, if there is an unlawful shifting of income from the individual who has earned that income to a trust, the trust will not be treated as a separate entity. The income will be taxed to the individual who earned the income. If the individual establishing the trust has a substantial ability to control the assets, all of the income will be taxed to that individual. Deductions of personal living expenses by an individual or trust is not allowed unless specifically allowed by the R&TC and the IRC.

C Who Must File

Do not file Form 541 if there are no California fiduciaries, California noncontingent beneficiaries, or California sourced income.

Nonresidents or Part-year Residents. See the instructions for Schedule G, California Source Income and Deduction Apportionment, on page 16. Also, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Foreign Estates or Trusts. If the estate or trust filed a federal Form 1040-NR, U.S. Nonresident Alien Income Tax Return, **do not** file Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. File Form 541 and allocate the income and deductions where there is a California resident fiduciary or resident non-contingent beneficiary. See the Schedule G instructions on page 16 for more information.

Decedent's Estate. The fiduciary (or one of the fiduciaries) must file Form 541 for a decedent's estate if any of the following apply:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $1,000
- An alternative minimum tax liability

Trust. The fiduciary (or one of the fiduciaries) must file Form 541 for a trust if any of the following apply:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $100
- An alternative minimum tax liability

Simple trusts that have received a letter from the FTB granting exemption from tax under R&TC Section 23701d are considered to be corporations for tax purposes and may be required to file Form 199, California Exempt Organization Annual Information Return. See the back cover, "Where to Get Tax Forms and Publications."

Nonexempt charitable trusts described in IRC Section 4947(a)(1) must file Form 199.

Trusts described in IRC Section 401(a) may be required to file an exempt organization return. Get Form 109, California Exempt Organization Business Income Tax Return, for more information.

Optional Filing Methods for Certain Grantor Trusts. The FTB will accept the optional reporting requirements stated in federal Treasury Regulation Section 1.671-4(b)(2).

Real Estate Mortgage Investment Conduit (REMIC) Trust. A REMIC is a special vehicle for entities that issue multiple classes of investor interests backed by a fixed pool of mortgages. Get the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, for more information. The fiduciary (or one of the joint fiduciaries) must file Form 541 and pay an annual tax of $800 for a REMIC that is governed by California law, qualified to do business in California, or has done business in California at any time during the year.

A REMIC trust is not subject to any other taxes assessed on this form. Attach a copy of federal Form 1066 to the back of the completed Form 541.

Bankruptcy Estate. The fiduciary must file Form 541 for the estate of an individual involved in bankruptcy proceedings under Chapter 7, 11, or 12 of Title 11 of the United States (U.S.) Code if the estate has one of the following:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $1,000
- An alternative minimum tax liability

Incomplete Gift Non-Grantor (ING) Trust. For taxable years beginning on or after January 1, 2023, the income of an ING trust shall be included in a qualified taxpayer's gross income as if it were a grantor trust under R&TC Section 17731. The income of an ING trust for a taxable year shall not be included in a qualified taxpayer's gross income if an irrevocable election is timely filed in the form and manner prescribed by the FTB, and the requirements of R&TC Section 17082 are met.

An ING trust means a trust that meets both of the following conditions:

- The trust does not qualify as a grantor trust under Subpart E of Part 1 of Subchapter J of Chapter 1 of Subtitle A of the IRC, relating to grantors and others treated as substantial owners.
- The qualified taxpayer's transfer of assets to the trust is treated as an incomplete gift under IRC Section 2511, relating to transfers in general.

Complete Form 541 by checking the box for "ING trust" under "Type of entity." Enter zero on line 9, total income; line 20a, taxable income of fiduciary; and line 21a, regular tax. Include an attachment with the return showing the following:

a. Name, taxpayer identification number, and address of the person(s) to whom the income is taxable;
b. Income of the trust in sufficient detail for the grantor to report on the grantor's income tax return; and
c. Deductions and credits of the trust in sufficient detail for the grantor to report on the grantor's income tax return.

The fiduciary must give the grantor of the trust a copy of the attachment. The income is reported by the grantor on their income tax return.

ING Trust with an Annual Election. The income of an ING trust shall not be included in a qualified taxpayer's gross income for the taxable year if **all** of the following apply:

- The ING trust is a nongrantor trust.
- The fiduciary of the ING trust timely files an original Form 541 and makes an irrevocable election on that return to be taxed as a resident nongrantor trust.
- 90% or more of the distributable net income of the ING trust is distributed, or is treated as being distributed, to a charitable organization.

Complete Form 541, check the box for "ING trust w/ election" under "Type of Entity", and follow the instructions for reporting the income and deductions attributable to the trust.

Taxation of Bankruptcy Estate of an Individual. The bankruptcy estate that is created when an individual debtor files a petition under either chapter 7 or 11 of Title 11 of the U.S. Code is treated as a separate taxable entity. A trustee or a debtor-in-possession administers the bankruptcy estate. If the bankruptcy court later dismisses the bankruptcy, the individual debtor is treated as if the bankruptcy petition had never been filed.

A separate taxable entity is not created if a partnership or corporation files a petition under any chapter of Title 11 of the U.S. Code.

Every trustee (or debtor-in-possession) for an individual's bankruptcy estate under chapter 7 or 11 of Title 11 of the U.S. Code must file a return if the estate has one of the following:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $1,000

If a tax return is required, the trustee or debtor in possession completes Form 540, California Resident Income Tax Return. In the top margin of Form 540, write "Attachment to Form 541. DO NOT DETACH."

Complete only the entity area at the top of Form 541. Enter the name of the individual debtor in the following format: "Robert J. Smith Bankruptcy Estate." Beneath, enter the name of the trustee in the following format: "Pat Jackson, Trustee."

Complete Form 540 using the tax rate schedule for a married person filing separately to figure the tax. The exemption credit allowed for a bankruptcy estate is $10. **Do not** include the standard deduction when completing Form 540. Enter the total tax from Form 540, line 64, on Form 541, line 28, and complete the rest of Form 541.

The trustee or debtor in possession must obtain a federal employer identification number (FEIN) for the bankruptcy estate and use this FEIN in filing the bankruptcy estate tax return. The social security number (SSN) of the individual cannot be used as the FEIN for the bankruptcy estate.

A bankruptcy estate can have a fiscal year but this period cannot be longer than 12 months.

For more information, get federal Pub. 908, Bankruptcy Tax Guide.

The filing of a tax return for the bankruptcy estate **does not** relieve the individual debtor of their individual tax obligations.

Electing Small Business Trust (ESBT). An election by the trustee pursuant to IRC Section 1361 to be an electing small business trust for federal purposes is treated as an election by the trustee for California purposes. No separate election for California purposes is allowed. Any election made applies to the taxable year of the trust in which the election is made and all subsequent years of the trust unless revoked with the consent of the FTB.

Qualified Subchapter S Trusts (QSST). The portion of a trust holding S corporation stock related to an IRC Section 1361(d) election cannot use the simplified reporting method for grantor trusts. As a result, the trust must apply all of the following:

- File a complete Form 541
- Indicate that it is a QSST treated as a grantor trust
- Provide a separate Schedule K-1 (541), Beneficiaries Share of Income, Deductions, Credits, etc., to the beneficiary showing that all of the income from the S corporation stock related to the election is taxable to the beneficiary

Qualified Settlement Fund (including designated settlement fund). The fiduciary must file Form 541 for a qualified settlement fund (print "QSF" in black or blue ink at the top of Form 541, Side 1), as defined under IRC Section 468B if any of the following apply:

- The court or government agency supervising the administration of the fund is in California.
- The fund receives or expects to receive income from California sources, (i.e., income from real or tangible personal property located in California and income from intangible personal property with a business or taxable situs in California.)

A qualified settlement fund is taxed under the Corporate Tax Code and is subject to different tax rates than trusts and estates. Qualified settlement funds are not subject to the Mental Health Services Tax.

Qualified Funeral Trusts. Special rules apply to the taxation of qualified funeral trusts for trustees that elect to use these rules. For details, get Form 541-QFT, California Income Tax Return for Qualified Funeral Trusts.

Regulated Investment Companies (RIC) and Real Estate Investment Trusts (REIT). If the fiduciary filed a federal Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies, or a federal Form 1120-REIT, U.S. Income Tax Return For Real Estate Investment Trusts, file Form 100, California Corporation Franchise or Income Tax Return, instead of Form 541. See the back cover, "Where to Get Tax Forms and Publications."

Federal and State Fiduciary Forms

If the fiduciary filed federal Form:	Then the fiduciary should file California Form:
706	N/A
990T	109
990PF	199
1040NR	541
1041	541
1041-A	541-A
5227	541-B
8971	N/A

- **Form 706,** United States Estate (and Generation-Skipping Transfer) Tax Return, to figure estate tax imposed by Chapter 11 of the IRC on the decedent's estate. It also computes the generation-skipping transfer tax imposed by Chapter 13
- **Form 990T,** Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))
- **Form 990PF,** Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation
- **Form 1040-NR,** U.S. Nonresident Alien Income Tax Return. Used for filing nonresident alien fiduciary (estate and trust) federal returns
- **Form 1041,** U.S. Income Tax Return for Estates and Trusts
- **Form 1041-A,** U.S. Information Return Trust Accumulation of Charitable Amounts. Used to report information on charitable contributions as required by IRC Section 6034 and related regulations
- **Form 5227,** Split-Interest Trust Information Return. Used to report financial activities of charitable remainder trusts, pooled income funds, and charitable lead trusts
- **Form 8971,** Information Regarding Beneficiaries Acquiring Property from a Decedent, requires executors of an estate and other persons who are required to file federal Form 706 to report the final estate tax value of property distributed or to be distributed from the estate, if the estate tax return is filed after July 2015.
- **Form 109,** California Exempt Organization Business Income Tax Return
- **Form 199,** California Exempt Organization Annual Information Return
- **Form 541,** California Fiduciary Income Tax Return
- **Form 541-A,** Trust Accumulation of Charitable Amounts. Used to report a charitable or other deduction under IRC Section 642(c), or for charitable or split-interest trust
- **Form 541-B,** Charitable Remainder and Pooled Income Trusts

D Definitions

Get federal Form 1041 for information about any of the following:

- Beneficiaries
- Fiduciaries
- Decedent's estates
- Simple trusts
- Income required to be distributed currently
- Income, deductions, and credits in respect of a decedent
- Distributable net income (DNI)
- Complex trusts
- Bankruptcy estates
- Grantor-type trusts
- Pooled income funds

E Additional Forms the Fiduciary May Have to File

In addition to Form 541, the fiduciary must file a separate Schedule K-1 (541) or an FTB-approved substitute for each beneficiary.

Schedule K-1 (541) line items are similar to the federal Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. See Schedule K-1 Federal/State Line References chart on page 39, and Specific Line Instructions when completing Schedule K-1 (541).

Trusts that only hold assets related to an IRC Section 1361(d) election should include all of the trust's items of income and deductions on the Schedule K-1 (541) of the beneficiary who made the election and should write “QSST” across the top of the Schedule K-1 (541) (the trust is treated as a grantor trust with respect to such beneficiary).

Trusts that hold assets related to an IRC Section 1361(d) election and other assets not related to an IRC Section 1361(d) election should provide its beneficiary or beneficiaries with separate Schedules K-1 (541). One for the income and deductions from the assets related to the IRC Section 1361(d) election and one for the income and deductions from the other assets. The Schedule K-1 (541) for the income and deductions for the IRC Section 1361(d) assets should include all of the trust’s items of income and deductions from such assets. Write “QSST” across the top of the Schedule K-1 (541).

Substitute Schedule K-1 (541). If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K-1 (541), it must get approval from the FTB to use a substitute form.

You may also be required to file one or more of the following:

- **Form 540**, California Resident Income Tax Return
- **Form 540NR**, California Nonresident or Part-Year Resident Income Tax Return
- **Form 541-A**, Trust Accumulation of Charitable Amounts
- **Form 541-B**, Charitable Remainder and Pooled Income Trusts
- **Form 541-ES**, Estimated Tax for Fiduciaries
- **Form 541-T**, California Allocation of Estimated Tax Payments to Beneficiaries
- **Form 592**, Resident and Nonresident Withholding Statement
- **Form 592-B**, Resident and Nonresident Withholding Tax Statement
- **Form 592-F**, Foreign Partner or Member Annual Return
- **Form 593**, Real Estate Withholding Statement
- **Schedule J (541)**, Trust Allocation of an Accumulation Distribution
- **Schedule P (541)**, Alternative Minimum Tax and Credit Limitations – Fiduciaries
- **Form FTB 4800MEO**, Federally Tax-Exempt Non-California Bond Interest and Interest-Dividend Payments Information Media Transmittal*
- **Federal Forms 1099 (series)**

  *Entities paying interest to California taxpayers on non-California municipal bonds that are held by California taxpayers, are required to report interest payments aggregating $10 or more. Information returns and form FTB 4800MEO are due on or before June 1, 2024.

Any information returns required for federal purposes under IRC Sections 6038, 6038A, 6038B, and 6038D are also required for California purposes. Attach the information returns to Form 541 when filed. If the information returns are not provided, penalties may be imposed.

F Period Covered by the Tax Return

File Form 541 for calendar year 2023 or a fiscal year beginning in 2023. Only trusts exempt from taxation under IRC Section 501(a) or a charitable trust described under IRC Section 4947(a)(1) and estates may have a fiscal year. If the fiduciary does not file a calendar year tax return, it must enter the taxable year in the space at the top of Form 541.

For estates, the date of death determines the end of the decedent’s taxable year and the beginning of the estate’s taxable year. The first taxable year for the estate may be any period of 12 months or less that ends on the last day of a month.

G When to File

File Form 541 by the 15th day of the 4th month following the close of the taxable year of the estate or trust. For calendar year estates and trusts, file Form 541 and Schedules K-1 (541) by April 15, 2024.

When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

If Form 541 cannot be filed by the filing due date, the estate or trust has an additional six months to file without filing a written request for extension. However, to avoid late-payment penalties, the tax liability must be paid by the original due date of the tax return. This also applies to REMICs that are subject to an annual $800 tax.

If an extension of time to file is needed but an unpaid tax liability is owed, use form FTB 3563, Payment for Automatic Extension for Fiduciaries, ~~that is included in this tax booklet.~~

Electronic Funds Withdrawal (EFW) – Fiduciaries can make an extension payment using tax preparation software. Check with your software provider to determine if they support EFW for extension payments.

If the tax return is not filed by the extended due date, delinquent filing penalties and interest will be imposed on any tax due from the original due date of the tax return.

The 2023 Form 541 may be used for a taxable year beginning in 2024 if both of the following apply:

- The estate or trust has a taxable year of less than 12 months that begins and ends in 2024.
- The 2024 Form 541 is not available by the time the estate or trust is required to file its tax return. However, the estate or trust must show its 2024 taxable year on the 2023 Form 541 and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2023.

A qualified settlement fund is treated as a corporation for filing and reporting purposes and should file its California income tax return by the 15th day of the 3rd month following the close of the taxable year, normally March 15th. The corporation must attach a copy of the federal Form 1120-SF, U.S. Income Tax Return for Settlement Funds (under Section 468B), and any statements or elections required by Treasury Regulations to Form 541.

H Paid Preparer

If the fiduciary wants to allow the paid preparer to discuss the 2023 tax return with the FTB, check the “Yes” box in the signature area of the tax return. Also print the paid preparer’s name and telephone number.

If the “Yes” box is checked, the fiduciary is authorizing the FTB to call the designated paid preparer to answer any questions that may arise during the processing of its tax return. The fiduciary is also authorizing the paid preparer to:

- Give the FTB any information that is missing from the tax return.
- Call the FTB for information about the processing of the tax return or the status of any related refund or payments.
- Respond to certain FTB notices about math errors, offsets, and tax return preparation.

The fiduciary is not authorizing the paid preparer to receive any refund check, bind the estate or trust to anything (including any additional tax liability), or otherwise represent the estate or trust before the FTB.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the estate’s or trust’s 2024 tax return. If the fiduciary wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

If the fiduciary wants to expand or change the paid preparer’s authorization, go to **ftb.ca.gov/poa**.

Paid Preparer’s Information

Anyone who is paid to prepare a tax return must sign the return and complete the “Paid Preparer’s Use Only” area of the return.

The paid preparer must do all of the following:

- Complete the required preparer information. Tax preparers must provide their preparer tax identification number (PTIN).
- Sign in the space provided for the preparer’s signature.
- Give you a copy of the return in addition to the copy to be filed with the FTB.

If you, as fiduciary, complete Form 541, leave the “Paid Preparer’s Use Only” area of the return blank.

If someone prepares this return and doesn’t charge you, that person should not sign the return.

I Where to File

Payments

If an **amount is due**:

- Mail Form 541 with **payment** to:

  FRANCHISE TAX BOARD
  PO BOX 942867
  SACRAMENTO CA 94267-0001

- e-filed tax returns: Mail form FTB 3843, Payment Voucher for Fiduciary e-filed Returns, with **payment** to:

  FRANCHISE TAX BOARD
  PO BOX 942867
  SACRAMENTO CA 94267-0008

Using black or blue ink, write the estate’s or trust’s FEIN and “2023 Form 541” on all payments. **Do not** mail cash.

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

If there is a **refund or no amount is due**, mail the tax return to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0001

Private Delivery Service. California conforms to federal law regarding the use of certain designated private delivery services to meet the “timely mailing as timely filing/paying” rule for tax returns and payments. See federal Form 1041 for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

Caution: Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, **DO NOT** use an FTB PO box.

J Estimated Tax Payments

Generally, estates and trusts are required to make quarterly estimated tax payments if the estate or trust expects to owe at least $500 in tax including ~~alternative minimum tax (~~AMT~~)~~, after subtracting withholding and credits. Estates and trusts, which received the residue of the decedent's estate, are required to make estimated income tax payments for any year ending two or more years after the date of the decedent's death.

The required annual tax payment is generally the lesser of 100% of the prior year's tax or 90% of the current year's tax. Estates and trusts must pay 30% of their required annual payment for the first installment, 40% for the second, no estimated payment for the third, and 30% for the fourth installment.

Limit on Prior Year Tax. Fiduciaries with an AGI of $150,000 or less calculate their required estimated tax on the lesser of 100% of the 2022 year tax, or 90% of the 2023 year tax, including AMT. Fiduciaries with an AGI greater than $150,000 are required to estimate their tax based on the lesser of 110% of their 2022 year tax or 90% of their 2023 year tax, including AMT. Fiduciaries with an AGI equal or greater than $1,000,000 must calculate their estimated tax on 90% of their 2023 year tax, including AMT.

For more information, get Form 541-ES.

~~**Electronic Funds Withdrawal (EFW).** Fiduciaries can make an estimated tax payment using tax preparation software. Check with your software provider to determine if they support EFW for estimated tax payments.~~

K Decedent's Will and Trust Instrument

Do not file a copy of the decedent's will or the trust instrument unless the FTB requests one.

L Limitations

At-Risk Loss Limitations. Generally, the amount the estate or trust has "at-risk" limits the loss that may be deducted for any taxable year. Get federal Form 6198, At-Risk Limitations, to figure the deductible loss for the year. Use California amounts.

Passive Activity Loss and Credit Limitations. IRC Section 469 (which California incorporates by reference) generally limits deductions from passive activities to the amount of income derived from all passive activities. Similarly, credits from passive activities are limited to tax attributable to such activities. These limitations are first applied at the estate or trust level. Get the instructions for federal Form 8582, Passive Activity Loss Limitations, and federal Form 8582-CR, Passive Activity Credit Limitations, for more information on passive activities loss and credit limitation rules. Get form FTB 3801-CR, Passive Activity Credit Limitations, to figure the amount of credit allowed for the current year.

M Special Rule for Blind Trust

If the fiduciary is reporting income from a qualified blind trust (under the Ethics in Government Act of 1978), it should not identify the payer of any income to the trust, but complete the rest of the tax return as provided in the instructions. Also, write "BLIND TRUST" at the top of Form 541, Side 1.

N Multiple Trust Rules

Two or more trusts are treated as one trust if the trusts have substantially the same grantor(s) and substantially the same primary beneficiary(ies), and if the principal purpose of the use of multiple trusts is avoidance of tax. This provision applies only to that portion of the trust that is attributable to contributions to corpus made after March 1, 1984.

O Interest and Penalties

Interest. Interest will be charged on taxes not paid by the due date, even if the tax return is filed by the extended due date. For more information, see General Information G, When to File.

Late filing of tax return. A penalty is assessed if the tax return is filed after the due date (including extensions), unless there was reasonable cause for filing late. The penalty is 25% of the tax liability if the tax return is filed after the extended due date. If the tax return is filed more than 60 days after the extended due date, the minimum penalty is $135 or 100% of tax due on the tax return, whichever is less.

Late payment of tax. A penalty is assessed for not paying tax by the due date unless there was reasonable cause for not paying on time. The penalty is 5% of the unpaid tax plus one-half of 1% for each month, or part of a month, that the tax is late, up to a maximum of 25%. We may waive the late payment penalty based on reasonable cause. Reasonable cause is presumed when 90% of the tax is paid by the original due date of the return.

If an estate or trust is subject to both the penalty for failure to file a timely tax return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total will not exceed 25% of the unpaid tax.

Penalty for failure to provide Schedule K-1 (541). The fiduciary is required to provide a Schedule K-1 (541) to each beneficiary who receives a distribution of property or an allocation of an item of the estate. A penalty of $100 per beneficiary (not to exceed $1,500,000 for any calendar year) will be imposed on the fiduciary if this requirement is not satisfied.

If the estate or trust includes interest on any of these penalties with the payment, identify and enter these amounts in the top margin of Form 541, Side 2. **Do not** include the interest or penalty in the tax due on line 37 or reduce the overpaid tax on line 38.

Other penalties. Other penalties may be assessed for a payment returned by the fiduciary's bank for insufficient funds, accuracy-related matters, and fraud.

Underpayment of estimated tax penalty. The underpayment of estimated tax penalty shall not apply to the extent the underpayment of an installment was created or increased by any provision of law that is chaptered during and operative for the taxable year of the underpayment. To request a waiver of the underpayment of estimated tax penalty, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

P Attachments

If the estate or trust needs more space on the forms or schedules, attach separate sheets showing the same information in the same order as on the printed forms. Enter the estate's or trust's FEIN on each sheet. Also, use sheets that are the same size as the forms and schedules and indicate clearly the line number of the printed form to which the information relates. Show the totals on the printed forms.

Q California Use Tax

General Information

The use tax has been in effect in California since July 1, 1935. It applies to purchases of merchandise for use in California from out-of-state sellers and is similar to the sales tax paid on purchases fiduciaries make in California. If fiduciaries have not already paid all use tax due to the California Department of Tax and Fee Administration, fiduciaries may be able to report and pay the use tax due on their state income tax return. See the information below and the instructions for line 34 of fiduciary income tax return.

In general, fiduciaries must pay California use tax on purchases of merchandise for use in California made from out-of-state sellers, for example, by telephone, online, by mail, or in person.

Fiduciaries must pay California use tax on taxable items if:

- The seller does not collect California sales or use tax, and
- The fiduciary uses, gifts, stores, or consumes the item in this state.

Example: The fiduciary lives in California and purchases a dining table from a company in North Carolina. The company ships the tables from North Carolina to the fiduciary's address for their use and does not charge California sales or use tax. The fiduciary owes use tax on the purchase.

However, not all purchases require fiduciaries to pay use tax. For example, the fiduciary would include purchases of clothing, but not exempt purchases of food products or prescription medicine. For more information on nontaxable and exempt purchases, the fiduciary may refer to Publication 61, Sales and Use Taxes: Tax Expenditures, on the California Department of Tax and Fee Administration's website at **cdtfa.ca.gov.**

For information about California use tax, please refer to the California Department of Tax and Fee Administration's website at **cdtfa.ca.gov** and type **"Find Information About Use Tax"** in the search bar.

Complete the Use Tax Worksheet or use the Use Tax Lookup Table on pages 13 and 14 to calculate the amount due.

Extensions to File. If the fiduciary requests an extension to file its income tax return, wait until the fiduciary files its tax return to report the purchases subject to use tax and make your use tax payment.

Interest, Penalties and Fees. Failure to timely report and pay the use tax due may result in the assessment of interest, penalties, and fees.

Application of Payments. For purchases made during taxable years starting on or after January 1, 2015, payments and credits reported on an income tax return will be applied first to the use tax liability, instead of income tax liabilities, penalties, and interest.

Changes in Use Tax Reported. Do not file an amended income tax return to revise the use tax previously reported. If the fiduciary has changes to the amount of use tax previously reported on the original return, contact the California Department of Tax and Fee Administration.

For assistance with your use tax questions, go to the California Department of Tax and Fee Administration's website at **cdtfa.ca.gov** or call their Customer Service Center at 800.400.7115 or (CRS: 711) (for hearing and speech disabilities). For California income tax information, contact the Franchise Tax Board at **ftb.ca.gov**.

R Miscellaneous Items

California law follows federal law in the areas of:

- Accounting methods
- Separate shares in a single trust
- Separate shares in a single estate
- Blind trusts
- Multiple trusts
- Simple and complex trusts
- Common trust funds
- Excess distributions

Liability for tax. The fiduciary is liable for payment of the tax. Failure to pay the tax may result in the fiduciary being held personally liable. See R&TC Sections 19071 and 19516.

Estate income to be reported. If a decedent, at the date of death, was a resident of California, the entire income of the estate must be reported. If a decedent, at the date of death, was a nonresident, only the income derived from sources within California should be reported.

Deductions upon termination. A deduction shall be allowed to the beneficiaries succeeding to the property of the estate or trust if, upon termination, the estate or trust has one of the following:

- A capital loss carryover
- For its final taxable year, deductions (other than the charitable deductions) in excess of gross income
- A net operating loss

Tax-exempt income. California **does not** tax:

- **Interest on governmental obligations.** Interest derived from bonds issued by California or its political subdivisions, the federal government, the District of Columbia (issued before December 24, 1973), or territories of the United States.
- **Proceeds of insurance policies.** In general, a lump sum payable at the death of the insured under a life insurance policy is excludable from gross income of the recipient.
- **Miscellaneous items wholly exempt from tax.** (1) Gifts (not received as a consideration for services rendered), money or property acquired by bequest, devise, or inheritance (but the income derived therefrom is taxable); and, (2) Income, other than rent, derived by a lessor of real property upon the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by the lessee.

Withholding on nonresident beneficiaries. Fiduciaries must withhold tax on payments of income from California sources that are not subject to payroll withholding and made to nonresident beneficiaries. See R&TC Sections 18662 through 18677. Get Form 592 and Form 592-B or Form 592-F to report the withholding.

See Cal. Code Regs., tit. 18, sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

Specific Line Instructions

Identification Area

Follow the instructions for federal Form 1041 when completing the identification area on Form 541, Side 1. Attach a schedule listing the names and addresses of additional fiduciaries (who served the trust during any portion of the taxable year) who are not identified on the front of Form 541. Identify each fiduciary as a resident or nonresident of California. California law is generally the same as federal law in the following areas:

- Simplified filing requirements
- Methods of reporting
- Pooled income funds
- Amended tax returns
- Final tax returns
- Nonexempt charitable and split-interest trusts

ING Trusts. Refer to General Information Section C, Who Must File, for more information.

Qualified Subchapter S Trust. Trusts that only hold assets related to an IRC Section 1361(d) election should fill out the "Income" and "Deduction" sections of Form 541 like all other trusts, except the trust should take an income distribution deduction on line 18 equal to its adjusted total income from line 17.

Trusts that hold assets related to an IRC Section 1361(d) election and other not related assets should fill out the "Income" and "Deduction" sections of Form 541 only for their income and deductions attributable to assets not related to an IRC Section 1361(d) election.

Use Form 541, Schedule B, Income Distribution Deduction, to determine their distribution deduction.

Principal Business Activity (PBA) Code. If the estate or trust was engaged in a trade or business during the taxable year, enter the principal business activity code used on the federal Schedule C (Form 1040), Profit or Loss From Business.

Additional Information. Use the Additional information field for "In-Care-Of" name and other supplemental address information only.

Foreign Address. If the estate or trust has a foreign address, follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

Amended Tax Return. If the fiduciary is filing an amended Form 541, check the box labeled "Amended tax return." Complete the entire tax return, correct the lines needing new information, and recompute the tax liability. On an attached sheet, explain the reason for the amendments and identify the lines and amounts being changed on the amended tax return. Include the fiduciary name and FEIN on each attachment.

If the amended tax return results in a change to income, or a change in distribution of any income or other information provided to a beneficiary, an amended Schedule K-1 (541) must also be filed with the amended Form 541 and given to each beneficiary. Check the amended box on Schedule K-1 (541).

Protective Claim. Check the box if this Form 541 is being filed as a protective claim for refund. A protective claim is a claim for refund filed before the expiration of the statute of limitations for which a determination of the claim depends on the resolution of some other disputed issues, such as pending state or federal litigation or audit. For more information on how to file a protective claim, go to **ftb.ca.gov** and search for **protective claim**.

Income

Complete Schedule G on Form 541, Side 3, if the trust has any resident and nonresident trustees and/or resident and nonresident non-contingent beneficiaries. Follow the line instructions for Schedule G on page 16.

The amounts transferred from Schedule G should only include income and deductions reportable to California.

Line 1 – Interest income
Enter the total of all taxable interest including any original issue discount bonds and income received as a holder of a regular interest in a REMIC.

If the fiduciary filed federal Form 1120-RIC or Form 1120-REIT, file Form 100 instead of Form 541.

Line 2 – Dividends
Enter the total of all taxable dividends.

Line 3 – Business income or (loss)
If the estate or trust was engaged in a trade or business during the taxable year, complete form FTB 3885F, Depreciation and Amortization, and attach it to Form 541. Also complete and attach a copy of federal Schedule C (Form 1040) using California amounts. Follow federal instructions for "Depreciation, Depletion, and Amortization," regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Energy conservation rebates, vouchers, or other financial incentives are excluded from income.

2023 Tax Rate Schedule

If the amount on Form 541, line 20a is: over —	but not over —	Enter on line 21a:	of the amount over —
$ 0	$ 10,412	$ 0.00 + 1.00%	$ 0
10,412	24,684	104.12 + 2.00%	10,412
24,684	38,959	389.56 + 4.00%	24,684
38,959	54,081	960.56 + 6.00%	38,959
54,081	68,350	1,867.88 + 8.00%	54,081
68,350	349,137	3,009.40 + 9.30%	68,350
349,137	418,961	29,122.59 + 10.30%	349,137
418,961	698,271	36,314.46 + 11.30%	418,961
698,271	AND OVER	67,876.49 + 12.30%	698,271

Line 4 – Capital gain or (loss)
Enter from Schedule D (541), Capital Gain or Loss, the gain or (loss) from the sale or exchange of capital assets. See the instructions for Schedule D (541).

Line 5 – Rents, royalties, partnerships, other estates and trusts, etc.
Enter the total of net rent and royalty income or (loss) and the total income or (loss) from partnerships and other estates, or trusts. **Do not** include amounts for any of the following:

- Interest, enter on line 1
- Dividends, enter on line 2
- Capital gain or (loss), enter on Schedule D (541)
- Ordinary gain or (loss), enter on Schedule D-1, Sales of Business Property

Complete and attach federal Schedule E (Form 1040), Supplemental Income and Loss, using California amounts. Attach form FTB 3885F to report any depreciation and amortization deduction.

Follow federal instructions for "Depreciation, Depletion, and Amortization," regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Elections to expense certain depreciable business assets under IRC Section 179 do not apply to estates and trusts.

Any losses or credits from passive activities may be limited. See General Information L, for information about passive activity loss limitations.

Line 6 – Farm income or (loss)
Enter the net income or (loss) from farming during the taxable year. Attach federal Schedule F (Form 1040), Profit or Loss From Farming, using California amounts. Attach form FTB 3885F to report any depreciation and amortization deduction. Follow federal instructions for "Depreciation, Depletion, and Amortization" regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Line 7 – Ordinary gain or (loss)
Enter from Schedule D-1, Sales of Business Property, the gain or (loss) from the sale or exchange of property, other than a capital asset and also from involuntary conversions (other than casualty or theft). Get the instructions for Schedule D-1 for more information.

Line 8 – Other income
Enter the total taxable income not reported elsewhere on Side 1. State the nature of the income. Attach a separate sheet if necessary.

Examples of income to be reported on line 8 include the following:

- Unpaid compensation received by the decedent's estate that is income in respect of a decedent.
- The estate's or trust's share of aggregate income or loss that is ordinary income, if the estate or trust is a shareholder of an S corporation. Enter the name and FEIN of the S corporation. Report capital gain income, dividend income, etc., on other appropriate lines.
- The estate's or trust's share of taxable income or (loss) if the estate or trust is a holder of a residual interest in a REMIC. Beneficiaries should receive Schedule K-1 (541 or 565) and instructions from the REMIC. Get federal Schedule E (Form 1040), Part IV, instructions for reporting requirements; also, attach federal Schedule E (Form 1040).
- Any part of a total distribution shown on federal Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that is treated as ordinary income. Get California Schedule G-1, Tax on Lump-Sum Distributions, for more information.

Deductions

All deductions entered on line 10 through line 15c must include only the fiduciary's share of deductions related to taxable income. If the estate or trust has tax-exempt income, the amounts included on line 10 through line 15c must be reduced by the allocable portion attributed to tax-exempt income. See federal Form 1041 instructions, "Allocation of Deductions for Tax-Exempt Income," for information on how to determine the allocable amount to enter on line 10 through line 15c.

California law follows federal law for:

- Fiduciary, attorney, accountant, and tax return preparer fees.
- Limited deductions for losses arising from certain activities.
- Limited deductions for farming syndicates that had a change in membership or were established in 1977 (see IRC Section 464).
- Bankruptcy estates: See Chapter 7, Title 11 of the United States Code (USC) 346(e) for California deductions allowed for expenses incurred during administration.
- California law conforms to federal law relating to the denial of deductions for lobbying activities, club dues, and employee remuneration in excess of one million dollars.

Line 10 – Interest
Enter any deductible interest paid or incurred that is not deductible elsewhere on Form 541. Attach a separate schedule showing all interest paid or incurred. Do not include interest on a debt that was incurred or continued in order to buy or carry obligations on which the interest is tax-exempt. If unpaid interest is due to a related person, get federal Pub. 936, Home Mortgage Interest Deduction, for more information.

The amount of investment interest deduction is limited. Get form FTB 3526, Investment Interest Expense Deduction, to compute the allowable investment interest expense deduction. Any disallowed investment interest expense is allowed as a carryforward to the next taxable year. See IRC Section 163(d) and get federal Pub. 550, Investment Income and Expenses, for more information.

If the allowable part of the excess investment interest expense is deductible and a completed form FTB 3526 is required, write "FTB 3526 attached" on the dotted line to the left of line 10. Then add the deductible investment interest to the other types of deductible interest and enter the total on line 10.

Line 11 – Taxes
Enter any deductible property taxes paid or incurred during the taxable year that are not deductible elsewhere on Form 541. Attach a separate schedule showing all taxes paid or incurred during the taxable year.

Do not deduct:

- Taxes assessed against local benefits that increase the value of the property assessed.
- Income or profit taxes imposed by the federal government, any state, or foreign country.
- Taxes computed as an addition to, or percentage of, any taxes not deductible under the law.
- Legacy, succession, gift, or inheritance taxes.
- Sales and local general sales and use taxes.

Line 12 – Fiduciary fees
Enter the deductible fees paid to the fiduciary for administering the estate or trust and other allowable administration costs incurred during the taxable year.

Allowable administration costs are those costs that were incurred in connection with the administration of the estate or trust that would not have been incurred if the property were not held in such estate or trust. These administration costs are not subject to the 2% floor. Trust expenses relating to outside investment advice and investment management fees are miscellaneous itemized deductions subject to the 2% floor. See instructions for line 15b.

Line 13 – Charitable deduction
Enter the amount from Form 541, Side 2, Schedule A, Charitable Deduction, line 5.

Line 14 – Attorney, accountant, and tax return preparer fees
Enter deductible attorney, accountant, and tax return preparer fees paid for the estate or the trust.

Line 15a – Other deductions not subject to the 2% floor
Explain on a separate schedule all other authorized deductions that are not deductible elsewhere on Form 541. Enter the total on line 15a.

Claim of right. To claim the deduction, enter a deduction of $3,000 or less on line 15b or a deduction of more than $3,000 on line 15a. If the fiduciary elects to take the credit instead of the deduction, it should use the California tax rate, add the credit amount to the total on line 33, Total Payments. To the left of this total, write "IRC 1341" and the amount of the credit.

Casualty losses. California law generally follows federal law. See federal Form 4684, Casualties and Thefts.

NOL deductions. For taxable years beginning on or after January 1, 2019, NOL carrybacks are **not** allowed. The NOL carryover deduction is the amount of the NOL carryover from prior years that may be deducted from income in the current taxable year. For more information, get form FTB 3805V.

Taxpayers can no longer generate/incur any Enterprise Zone (EZ) or Local Agency Military Base Recovery Area (LAMBRA) NOL for taxable years beginning on or after January 1, 2014. Taxpayers can claim EZ or LAMBRA NOL carryover deduction from prior years. Get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary, or FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, for more information.

Taxpayers can no longer generate/incur any Targeted Tax Area (TTA) NOL for taxable years beginning on or after January 1, 2013. Taxpayers can claim TTA NOL carryover deduction from prior years. Get form FTB 3809, Targeted Tax Area Deduction and Credit Summary, for more information.

Line 15b – Allowable miscellaneous itemized deductions subject to the 2% floor
Miscellaneous itemized deductions are deductible only to the extent that the aggregate amount of such deductions exceeds 2% of AGI.

The term "miscellaneous itemized deductions" does not include deductions relating to:

- Interest under IRC Section 163
- Taxes under IRC Section 164
- Amortization of bond premium under IRC Section 171

For more exceptions, see IRC Section 67(b).

Trusts' expenses relating to outside investment advice and investment management fees are miscellaneous itemized deductions subject to the 2% floor.

For estates and trusts, AGI is computed by subtracting the following from total income (line 9):

- Fiduciary fees of the estate or trust (line 12).
- Income distribution deduction (line 18).
- Other deductions claimed on line 10 through line 15a that were incurred in the conduct of a trade or business or the production of income.

Computing line 15b. To compute line 15b, use the equation below:

AMID – Allowable miscellaneous itemized deductions.

AGI – Miscellaneous itemized deductions.

DNI – Distributable net income.

AMID = Total AGI – (.02(AGI))

The following example illustrates how algebraic equations can be used to solve for these unknown amounts.

Example. The Malcolm Smith Trust, a complex trust, earned $20,000 of dividend income, $20,000 of capital gains, and a fully deductible $5,000 loss from XYZ partnership (chargeable to corpus) in 2023. The trust instrument provides that capital gains are added to corpus. 50% of the fiduciary fees are allocated to income and 50% to corpus. The trust claimed a $2,000 deduction on line 12 of Form 541. The trust incurred $1,500 of miscellaneous itemized deductions (chargeable to income), which are subject to the 2% floor. There are no other deductions. The trustee made a discretionary distribution of the accounting income of $17,500 to the trust's sole beneficiary.

Because the actual distribution can reasonably be expected to exceed the DNI, the trust must figure the DNI, taking into account the AMID, to determine the amount to enter on line 15b.

Using the facts in this example:

AMID = 1,500 – (.02(AGI))

In all situations, use the following equation to compute the AGI:

AGI = (line 9) – (the total of lines 12, 14, and 15a to the extent they are costs incurred in the administration of the estate or trust that wouldn't have been incurred if the property weren't held by the estate or trust) – (line 18).

Note. There are no other deductions claimed by the trust on line 15a that are deductible in arriving at AGI.

Figuring AGI in this example, we get:

AGI = 35,000 – 2,000 – DNI

Since the value of line 18 isn't known because it is limited to the DNI, you are left with the following:

AGI = 33,000 – DNI

Substitute the value of AGI in the equation:

AMID = 1,500 – (.02(33,000 – DNI))

The equation can't be solved until the value of DNI is known. The DNI can be expressed in terms of the AMID. To do this, compute the DNI using the known values. In this example, the DNI is equal to the total income of the trust (less any capital gains allocated to corpus or plus any capital loss from line 4); less total deductions from line 16 (excluding any miscellaneous itemized deductions); less the AMID.

Thus, DNI = (line 9) – (line 9, column (c) of Schedule D (Form 541)) – (line 16) – (AMID)

Substitute the known values:

DNI = 35,000 – 20,000 – 2,000 – AMID

DNI = 13,000 – AMID

Substitute the value of DNI in the equation to solve for AMID:

AMID = 1,500 – (.02(33,000 – (13,000 – AMID)))

AMID = 1,500 – (.02(33,000 – 13,000 + AMID))

AMID = 1,500 – (660 – 260 + .02AMID)

AMID = 1,100 – .02AMID

1.02AMID = 1,100

AMID = 1,078

DNI = 11,922 (i.e., 13,000 – 1,078)

AGI = 21,078 (i.e., 33,000 – 11,922)

Note. The income distribution deduction is equal to the smaller of the distribution ($17,500) or the DNI ($11,922).

Enter the value of AMID on line 15b (the DNI should equal line 7 of Schedule B) and complete the rest of Form 541 according to the instructions.

The amount of AMID can't exceed the taxpayer's actual miscellaneous itemized deductions.

If the 2% floor is more than the deductions subject to the 2% floor, no deductions are allowed.

Generally, the estate or trust will have to complete Schedule P (541) if an income distribution deduction is reported under IRC Section 651 or 661.

Unallowable deductions. Deductions are not allowed on Form 541 for:

- Expenses that are allocable to one or more classes of income (other than interest income) exempt from tax.
- Any amount relating to expenses for production of income that is allocable to interest income exempt from tax. For the treatment of interest expense attributable to tax-exempt income, see the instructions for line 10. For the determination of the amount of expense attributable to tax-exempt income, see the instructions for federal Form 1041, Schedule B, Income Distribution Deduction.
- Decedent's medical and dental expenses paid by the estate.
- Funeral expenses.

Line 20a – Taxable income

Subtract line 18, income distribution deduction, from the adjusted total income reported on line 17, and enter the result.

Line 20b – ESBT taxable income

The portion of an Electing Small Business Trust (ESBT) that consists of stock in one or more S corporations must be treated as a separate trust and the tax must be figured separately on the S-portion of the ESBT. On a separate schedule, figure the taxable income on the S corporation items making the following modifications:

- Only report the items described in IRC Section 641(c)(2)(C).
- Take no other deductions (including the distribution deduction) or credits.
- Do not apportion to the beneficiaries any of the S corporation items of income, loss, deduction or credit.

Enter taxable income from the S-portion of the ESBT on line 20b, and attach the schedule to the income tax return. Include the taxable income from the S-portion of the ESBT when calculating the Mental Health Services Tax on line 27.

The taxable income on the remainder (non-S-portion) of the ESBT is computed in a manner consistent with a complex trust on Form 541. Enter the taxable income for the non-S-portion of the ESBT on line 20a.

Tax and Payments

Line 21a – Regular tax

Determine the tax on the taxable income (line 20a) using the Tax Rate Schedule on page 9. Enter the tax on line 21a. **Do not** include the amount reported on line 20b.

Line 21b – Other taxes

- Tax may be applied to lump-sum distributions from a qualified retirement plan. The fiduciary must complete Schedule G-1 to figure the amount of tax to enter on line 21b and attach the Schedule G-1 to Form 541.
- Partial throwback tax on accumulation distribution from trust.

  If an estate or a trust is the beneficiary of a trust and in the current year received a distribution from the trust of income accumulated in prior taxable years (an accumulation distribution), the estate or trust may be liable for a partial throwback tax on the accumulation distribution. Under the throwback rules, the beneficiary of an accumulation distribution is taxed as if the distribution was made in the prior years when the income was accumulated. Figure the throwback tax on form FTB 5870A, Tax on Accumulation Distribution of Trusts. Include the tax on line 21b and attach form FTB 5870A to Form 541.
- Interest on tax deferred under the installment method for certain nondealer property installment obligations.

  If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the estate or trust must include the interest due under IRC Section 453A in the amount to be entered on line 21b. Attach a schedule showing the computation. Write "IRC Section 453A" on the dotted line next to line 21. Include the tax in the total on line 21b.
- Tax on the S-portion of an ESBT.

  Multiply line 20b by the highest rate applicable to individuals. Include the tax in the total on line 21b.
- REMIC Annual Tax

  Enter the $800 REMIC annual tax on line 21b and line 28, total tax. REMIC annual tax is not eligible for exemption credits.

Line 21c – QSF tax

QSF is a Qualified Settlement Fund (including designated settlement funds). Determine the tax using corporate tax rates under R&TC Section 24693. For more information, see General Information C, Who Must File.

Line 22 – Exemption credit

An estate is allowed an exemption credit of $10.
A trust is allowed an exemption credit of $1.
A qualified disability trust is allowed an exemption credit of $14~~4~~.

If a final distribution of assets was made during the year, all taxable income of the estate or trust must be entered on line 18 as distributed to beneficiaries, and no exemption credit is allowed.

Line 23 – Credits

Various California tax credits are available to reduce the tax. For most credits, a separate schedule or statement must be completed and attached to Form 541. See the credit chart on page 17 for a list of the credits, their codes, and a brief description of each.

How to claim California tax credits:

1. Figure the amount of each credit using the appropriate form.
2. Use the Credit Limitation Worksheet to determine if the credits are limited. Complete the worksheet unless federal Schedules C, E, or F (Form 1040), and/or federal Schedule D (Form 1041), Capital Gains and Losses, were not completed and the amount entered on Form 541, line 17, is less than $~~58,111~~.
   a) If federal Schedules C, D, E, or F (Form 1040) or federal Schedule D (Form 1041) were not completed and the amount entered on Form 541, line 17, is less than $~~58,111~~, **do not** complete the credit limitation worksheet. The credits are not limited.
   b) If the estate or trust completed federal Schedules C, E, or F (Form 1040) or federal Schedule D (Form 1041) and claimed or received any of the following:
      - Accelerated depreciation in excess of straight-line
      - Intangible drilling costs
      - Depletion
      - Circulation expenditures
      - Research and experimental expenditures
      - Mining exploration/development costs
      - Amortization of pollution control facilities
      - Income/loss from tax shelter farm activities
      - Income/loss from passive activities
      - Income from long-term contracts using the percentage-of-completion method
      - California qualified stock options (CQSOs)

      Yes Complete Schedule P (541).
      No Go to item (c).
   c) If the estate or trust claimed or received any of the following:
      - AMT adjustment from another estate or trust
      - Investment interest expense
      - Income from incentive stock options in excess of the amount reported on Form 540 or Form 540NR
      - Charitable contribution deduction for appreciated property
      - Income from installment sales of certain property
      - Net operating loss deduction or disaster loss carryover reported on form(s) FTB 3805V, FTB 3805Z, FTB 3807, or FTB 3809

      Yes Complete Schedule P (541).
      No Complete the Credit Limitation Worksheet that follows.

Credit Limitation Worksheet

A.	Enter the total amount from Form 541, line 21	A	______
B.	Enter personal and real property taxes paid. This includes any state and local personal property and state, local, or foreign real property taxes on Form 541, line 11	B	______
C.	Enter miscellaneous itemized deductions from Form 541, line 15b	C	______
D.	Add line B and line C	D	______
E.	Enter any refund of personal or real property tax. **Do not** enter the amount of state income tax refund	E	______
F.	Subtract line E from line D	F	______
G.	Enter the amount from Form 541, line 20a	G	______
H.	Add line F and line G	H	______
I.	Enter $~~58,111~~	I	______
J.	Subtract line I from line H. If zero or less, enter -0-	J	______
K.	Multiply line J by .07	K	______
L.	Subtract line K from line A. If less than zero, enter -0-	L	______
M.	Enter the total credits	M	______

If line L is less than line M, get and complete Schedule P (541).

If line L is more than line M, the estate's or trust's credits are not limited. Go to "Claiming Credits on Form 541."

Claiming Credits on Form 541

Each credit is identified by a code. If the estate or trust claims one credit, enter the credit code and amount of the credit on line 23.

If the estate or trust claims more than one credit, use Schedule P (541), Part IV, Credits that Reduce Tax, to figure the total credit amount. Total the column b amounts from lines 4 through 9 and lines 11 through 16, of Schedule P (541), Part IV, and enter on Form 541, line 23. Attach Schedule P (541) and any required supporting schedules or statements to Form 541.

If the estate or trust claims a credit with carryover provisions and the amount of the credit available this year exceeds the estate's or trust's tax, carry over any excess credit to subsequent years until the credit is used.

If the estate or trust claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover and Recapture Summary, to figure this credit, unless the estate or trust is required to complete Schedule P (541). In that case, enter the amount of the credit on Schedule P (541), Sections A2 and B1 and **do not** attach form FTB 3540.

Line 26 – Alternative minimum tax (AMT)

If certain types of deductions, exclusions, and credits are claimed, the estate or trust may be subject to California's AMT. Get Schedule P (541) to figure the amount of tax to enter on line 26 for trusts with either resident or non-resident trustees and beneficiaries.

Schedule P (541) must be completed regardless of whether the estate or trust is subject to AMT if an income distribution deduction is reported on line 18.

Line 27 – Mental Health Services Tax

If the estate's or trust's taxable income is more than $1,000,000, compute the Mental Health Services Tax. All taxable income from an ESBT is subject to the Mental Health Services Tax. **Do not** calculate Mental Health Services Tax on a Qualified Settlement Fund.

Mental Health Services Tax Worksheet
Use whole dollars only.

A. Taxable income from Form 541, line 20a	____________
B. ESBT Taxable Income, line 20b	____________
C. Add line A and line B	____________
D. Less	($1,000,000)
E. Subtotal	____________
F. Multiply line E by 1%	x .01
G. **Mental Health Services Tax –** Enter this amount on Form 541, line 27	____________

Line 29 – California income tax withheld

Attach federal Form(s) W-2, Wage and Tax Statement, W-2G, Certain Gambling Winnings, and 1099-R if the fiduciary claims credit for California income tax withheld on a decedent's wages and salaries, certain gambling winnings, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., received by the fiduciary. **Do not** include withholding from Forms 592-B or 593 or nonconsenting nonresident (NCNR) member's tax from Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc., line 15e on this line.

Line 30 – California income tax previously paid

(minus tax allocated to beneficiaries and any refund of tax)

Use this line only if the estate or trust is filing an amended tax return. Enter payments made with the original tax return plus additional tax paid after the original tax return was filed less any refund received. If the estate or trust made only one payment, enter the serial number that the FTB stamped on the face of the cancelled check if available, on the dotted line to the left of the amount on line 30. If the estate or trust made multiple payments, did not receive a cancelled check, or made any payment with a credit card, attach a statement showing the check number, the amount of the check or charge, the date posted to the account, and the name of the payee FTB.

Be sure to reduce the amount of tax previously paid by the amount of estimated tax that the beneficiary treated as a payment and any refund of tax.

Line 31 – Withholding (Form 592-B and/or 593)

Enter the total California withholding from the estate's or trust's Form 592-B and/or Form 593. Attach a copy of the form(s) to the lower front of Form 541, Side 1.

An estate or trust that has resident/nonresident or real estate withholding is allowed to claim a credit if the estate or trust keeps the related income in the trust. If the estate or trust distributed the related income on Side 1, line 18, to its beneficiaries, then the estate or trust is required to complete Form 592 and Form 592-B to distribute the credit to the beneficiaries who will report the taxable income and claim their share of the credit on their California income tax returns. If the estate or trust partially distributes the income, complete Form 592 and Form 592-B with only the partial allocated income distribution and related withholding credit. Do not include withholding from other forms on this line or NCNR member's tax from Schedule K-1 (568), line 15e on this line.

Line 32 – 2023 CA estimated tax, amount applied from 2022 tax return, and payments with form FTB 3563
Enter the amount of any estimated tax payment the estate or trust made on Form 541-ES for 2023. Also, enter the amount of any overpayment from the 2022 tax return that was applied to the 2023 estimated tax. Include payments made with form FTB 3563.

If the estate or trust is an NCNR member of a limited liability company (LLC) and tax was paid on the estate's or trust's behalf by the LLC, include the NCNR members' tax from Schedule K-1 (568), line 15e. If you are including NCNR tax, write "LLC" on the dotted line to the left of the amount on line 32, and attach Schedule K-1 (568) to the California income tax return to claim the tax paid by the LLC on the estate's or trust's behalf.

The trustee (or executor under certain circumstances) may elect to allocate to the beneficiary a portion of estimated payments. Use Form 541-T. Reduce the amount of estimated tax payments you are claiming by the amount allocated to the beneficiary on Form 541-T.

Estimated tax paid by an individual before death must be claimed on the income tax return filed for the decedent and not on the Form 541 filed for the decedent's estate.

Line 34 – Use tax. This is not a total line.
You may owe use tax if you make purchases from out-of-state retailers (for example, purchases made by telephone, online, by mail, or in person) where sales or use tax was not paid and you use those items in California. If you have questions about whether a purchase is taxable, go to the California Department of Tax and Fee Administration's website at **cdtfa.ca.gov**, or call its Customer Service Center at 1.800.400.7115 or (CRS: 711) (for hearing and speech disabilities).

Some taxpayers are required to report business purchases subject to use tax directly to the California Department of Tax and Fee Administration. However, they may report certain personal purchases subject to use tax on the FTB income tax return.

You may not report business purchases subject to use tax on your income tax return if you:

- Have or are required to hold a California seller's permit.
- Make more than $10,000 in purchases subject to use tax per calendar year and have not paid use tax on those purchases to a retailer engaged in business in California or to a retailer authorized by the California Department of Tax and Fee Administration to collect the tax.
- Are otherwise registered or required to be registered with the California Department of Tax and Fee Administration to report use tax.

Note: You may not report use tax on your income tax return for certain types of transactions. These types of transactions are described in detail below in the instructions.

The Use Tax Worksheet and Estimated Use Tax Lookup Table will help you determine how much use tax to report. If you owe use tax but you do not report it on your income tax return, you must report and pay the tax to the California Department of Tax and Fee Administration.

For information on how to report use tax directly to the California Department of Tax and Fee Administration, go to their website at **cdtfa.ca.gov** and type **"Find Information About Use Tax"** in the search bar.

Failure to report and pay timely may result in the assessment of interest, penalties, and fees.

See page 8 for a general explanation of California use tax.

Use Tax Worksheet
You must use the Use Tax Worksheet to calculate your use tax liability, if any of these apply:

- You prefer to calculate the amount of use tax due based upon your actual purchases subject to use tax, rather than based on an estimate.
- You owe use tax on any item purchased for use in a trade or business and you are not registered or required to be registered with the California Department of Tax and Fee Administration to report sales or use tax.
- You owe use tax on purchases of individual items with a purchase price of $1,000 or more each.

Example 1: You purchased a television for $2,000 from an out-of-state retailer that did not collect tax. You must use the Use Tax Worksheet to calculate the tax due on the price of the television, since the price of the television is $1,000 or more.

Example 2: You purchased a computer monitor for $300, a rare coin for $500, and designer clothing for $250 from out-of-state retailers that did not collect tax. Although the total price of all the items is $1,050, the price of each item is less than $1,000. Since none of these individual items are $1,000 or more, you are not required to use the Use Tax Worksheet and may choose to use the Estimated Use Tax Lookup Table.

If you have a combination of individual non-business items purchased for $1,000 or more each, and/or items purchased for use in a trade or business in addition to individual, non-business items purchased for less than $1,000, you may either:

- Use the Use Tax Worksheet to compute use tax due on all purchases, or
- Use the Use Tax Worksheet to compute use tax due on all individual items purchased for $1,000 or more plus all items purchased for use in a trade or business.
- Use the Estimated Use Tax Lookup Table to estimate the use tax due on individual, non-business items purchased for less than $1,000, then add the amounts and report the total use tax on line 34.

Example 3: The total price of the items you purchased from out-of-state retailers that did not collect use tax is $2,300, which includes a $1,000 television, a $900 painting, and a $400 table for your living room.

- You may choose to calculate the use tax due on the total price of $2,300 using the Use Tax Worksheet, or
- You may choose to calculate the use tax due on the $1,000 price of the television using the Use Tax Worksheet and estimate your use tax liability for the painting and table by using the Estimated Use Tax Lookup Table, then add the amounts and report the total use tax on line 34.

Use Tax Worksheet (See Instructions Below)
Use whole dollars only.

1.	Enter purchases from out-of-state sellers made without payment of California sales/use tax. If you choose to estimate the use tax due on individual, non-business items purchased for less than $1,000 each, only enter purchases of items with a purchase price of $1,000 or more plus items purchased for use in a trade or business not registered with the California Department of Tax and Fee Administration. . . . . $	.00
2.	Enter the applicable sales and use tax rate.	
3.	Multiply Line 1 by the tax rate on Line 2. Enter result here. . . . . $	.00
4.	If you choose to estimate the use tax due on individual, non-business items purchased for less than $1,000 each, enter the use tax amount due from the Estimated Use Tax Lookup Table. If all of your purchases are included in Line 1, enter -0-. $	.00
5.	Add Lines 3 and 4. This is your total use tax. . . . . $	.00
6.	Enter any sales or use tax you paid to another state for purchases included on Line 1. See worksheet instructions below. . . . . $	.00
7.	Subtract Line 6 from Line 5. This is the total use tax due. Enter the amount due on line 34. If the amount is less than zero, enter -0-. . . . . $	.00

Worksheet, Line 1, Purchases Subject to Use Tax
Report purchases of items that would have been subject to sales tax if purchased from a California retailer unless your receipt shows that California tax was paid directly to the retailer. For example, generally, you would include purchases of clothing, but not exempt purchases of food products or prescription medicine. For more information on nontaxable and exempt purchases, you may visit the California Department of Tax and Fee Administration's website at **cdtfa.ca.gov**.

- Include handling charges.
- Do not include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that corresponds with the tax return you are filing.
- If you traveled to a foreign country and hand-carried items back to California, generally use tax is due on the purchase price of the goods you listed on your U.S. Customs Declaration less an $800 per-person exemption. For the hand carried items, you should report the amount of purchases in excess of the $800 per-person exemption. This $800 exemption does not apply to goods sent or shipped to California by mail or other common carrier. For goods sent or shipped, you should report the entire amount of the purchases.
- If your filing status is "married/RDP filing separately," you may elect to report one-half of the use tax due or the entire amount on your income tax return. If you elect to report one-half, your spouse/RDP may report the remaining half on his or her income tax return or on the individual use tax return available from the California Department of Tax and Fee Administration.

Note: You cannot report the following types of purchases on your income tax return.

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Rental receipts from leasing machinery, equipment, vehicles, and other tangible personal property to your customers.
- Cigarettes and tobacco products when the purchaser is registered with the California Department of Tax and Fee Administration as a cigarette and/or tobacco products consumer.

Worksheet, Line 2, Sales and Use Tax Rate
Enter the sales and use tax rate applicable to the place in California where the property was used, stored, consumed, or given away. To find your sales and use tax rate using your computer or mobile device, please go to the California Department of Tax and Fee Administration's website at **cdtfa.ca.gov** and type "**City and County Sales and Use Tax Rates**" in the search bar. You may also call their Customer Service Center at 800.400.7115 or (CRS: 711) (for hearing and speech disabilities).

Worksheet, Line 6, Credit for Tax Paid to Another State
This is a credit for tax paid to other states on purchases reported on Line 1. You can claim a credit up to the amount of tax that would have been due if the purchase had been made in California. For example, if you paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, you can claim a credit of only $6.00 for that purchase.

Estimated Use Tax Lookup Table
You may use the Estimated Use Tax Lookup Table to estimate and report the use tax due on individual non-business items you purchased for less than $1,000 each. This option is only available if you are permitted to report use tax on your income tax return and you are not required to use the Use Tax Worksheet to calculate the use tax owed on all your purchases. Simply include the use tax liability that corresponds to your California Adjusted Gross Income (found on line 17) and enter it on line 34. You will not be assessed additional use tax on the individual non-business items you purchased for less than $1,000 each.

You may not use the Estimated Use Tax Lookup Table to estimate and report the use tax due on purchases of items for use in your business or on purchases of individual non-business items you purchased for $1,000 or more each. See the instructions for the Use Tax Worksheet if you have a combination of purchases of individual non-business items for less than $1,000 each and purchases of individual non-business items for $1,000 or more.

Adjusted Gross Income (AGI) Range			Use Tax Liability
Less Than $10,000			$0
$10,000	to	$19,999	$1
$20,000	to	$29,999	$2
$30,000	to	$39,999	$3
$40,000	to	$49,999	$4
$50,000	to	$59,999	$5
$60,000	to	$69,999	$6
$70,000	to	$79,999	$7
$80,000	to	$89,999	$8
$90,000	to	$99,999	$9
$100,000	to	$124,999	$10
$125,000	to	$149,999	$12
$150,000	to	$174,999	$15
$175,000	to	$199,999	$17
More than $199,999 – Multiply AGI by 0.009% (x0.00009)			

Enter your use tax liability on line 4 of the worksheet, or if you are not required to use the worksheet, enter the amount on line 34 of your income tax return.

Line 37 and Line 38 – Tax due/Overpaid tax
If the amount on line 28 is larger than the amount on line 35, subtract line 35 from line 28.

If the amount on line 28 is less than the amount on line 35, subtract line 28 from line 35.

If the estate or trust must compute interest under the look-back method for completed long-term contracts, get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the estate or trust owes on line 37 or the amount of interest to be credited or refunded to the organization on line 38. Write "FTB 3834" on the dotted line to the left of line 37 or line 38, whichever applies.

If the estate or trust completed the credit recapture portion of any of the following forms, include the recapture amount on line 37. Write the form number and the recaptured amount on the dotted line to the left of line 37.

- Form FTB 3531, California Competes Tax Credit - Enter only the recaptured amount used. Get the instructions for form FTB 3531, Part III, Credit Recapture, for more information.
- Form FTB 3540, Credit Carryover and Recapture Summary
- Form FTB 3554, New Employment Credit

Line 39 – Credit to your 2024 estimated tax
Enter the amount from line 38 that the estate or trust wants applied to their 2024 estimated tax.

Line 40 – Amount of overpaid tax available this year
If an amount is entered on line 39, subtract it from line 38. Enter the result on line 40. The entire amount may be refunded or voluntary contributions may be made. If the estate or trust owes use tax, the estate or trust may offset that amount against this balance.

Line 41 – Total voluntary contributions
Enter the amount of the total voluntary contributions from the Voluntary Contributions section, Side 4, line 61.

Line 42 – Refund or no amount due
If no amount is entered on line 41, enter the amount from line 40 on line 42. This is the amount that will be refunded. If this amount is less than $1, attach a written statement to the tax return requesting the refund.

If an amount is entered on line 41, subtract the amount from the amount on line 40. If the result is zero or more, enter the result on line 42. If the result is less than zero, enter the result as a positive number on line 43.

Line 43 – Amount due
If no amount is entered on line 40, add lines 36, 37, and 41.

Line 44 – Underpayment of estimated tax
The estate or trust may owe an estimated tax penalty if:

- the estate or trust underpaid its estimated tax liability for any payment period, or
- the amount on line 37 is more than $500 and the estate or trust did not pay the lesser of:

	2022 Tax	2023 Tax
AGI less than $150,000	100%	90%
AGI between $150,000 and $999,999	110%	90%
AGI $1,000,000 or greater		90%

The FTB will figure the underpayment of estimated tax penalty and send the estate or trust a bill. However, the estate or trust may use form FTB 5805 or form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen to:

- see if the estate or trust owes a penalty
- figure the amount of the penalty
- claim a waiver of estimated tax penalty
- use the annualized income installment method.

If the estate or trust completes form FTB 5805 or form FTB 5805F, attach the form to the back of Form 541. Enter the amount of the penalty on line 44 and check the appropriate box.

If you are a QSF, use form FTB 5806, Underpayment of Estimated Tax by Corporations, to compute the penalty. Attach the form to the back of Form 541. Enter the amount of the penalty on line 44.

Voluntary Contributions

Code 401 through Code 445
The estate or trust may make voluntary contributions of $1 or more in whole dollar amounts to the funds listed in this section on Form 541, Side 4.

Code 401, Alzheimer's Disease and Related Dementia Voluntary Tax Contribution Fund – Contributions will be used to provide grants to California scientists to study Alzheimer's disease and related disorders. This research includes basic science, diagnosis, treatment, prevention, behavioral problems, and care giving. With almost 600,000 Californians living with the disease and another 2 million providing care to a loved one with Alzheimer's, our state is in the early stages of a major public health crisis. Your contribution will ensure that Alzheimer's disease receives the attention, research, and resources it deserves. For more information, go to **cdph.ca.gov** and search for **alzheimer**.

Code 403, Rare and Endangered Species Preservation Voluntary Tax Contribution Program – Contributions will be used to help protect and conserve California's many threatened and endangered species and the wild lands that they need to survive, for the enjoyment and benefit of you and future generations of Californians.

Code 405, California Breast Cancer Research Voluntary Tax Contribution Fund – Contributions will fund research toward preventing and curing breast cancer. Breast cancer is the most common cancer to strike women in California. It kills 4,000 California women each year. Contributions also fund research on prevention and better treatment, and keep doctors up-to-date on research progress. For more about the research your contributions support, go to **cbcrp.org**. Your contribution can help make breast cancer a disease of the past.

Code 406, California Firefighters' Memorial Voluntary Tax Contribution Fund – Contributions will be used for repair and maintenance of the California Firefighters' Memorial on the grounds of the State Capitol, ceremonies to honor the memory of fallen firefighters and to assist surviving loved ones, and for an informational guide detailing survivor benefits to assist the spouses/RDPs and children of fallen firefighters.

Code 407, Emergency Food for Families Voluntary Tax Contribution Fund – Contributions will be used to help local food banks feed California's hungry. Your contribution will fund the purchase of much-needed food for delivery to food banks, pantries, and soup kitchens throughout the state. The State Department of Social Services will monitor its distribution to ensure the food is given to those most in need.

Code 408, California Peace Officer Memorial Foundation Voluntary Tax Contribution Fund – Contributions will be used to preserve the memory of California's fallen peace officers and assist the families they left behind. Since statehood, over 1,300 courageous California peace officers have made the ultimate sacrifice while protecting law-abiding citizens. The non-profit charitable organization, California Peace Officers' Memorial Foundation, has accepted the privilege and responsibility of maintaining a memorial for fallen officers on the State Capitol grounds. Each May, the Memorial Foundation conducts a dignified ceremony honoring fallen officers and their surviving families by offering moral support, crisis counseling, and financial support that includes academic scholarships for the children of those officers who have made the supreme sacrifice. On behalf of all of us and the law-abiding citizens of California, thank you for your participation.

Code 410, California Sea Otter Voluntary Tax Contribution Fund – The California Coastal Conservancy and the Department of Fish and Game will each be allocated 50% of the contributions. Contributions allocated to the California Coastal Conservancy will be used for research, science, protection, projects, or programs related to the Federal Sea Otter Recovery Plan or improving the nearshore ocean ecosystem, including program activities to reduce sea otter mortality. Contributions allocated to the Department of Fish and Game will be used to establish a sea otter fund within the department's index coding system for increased investigation, prevention, and enforcement action.

Code 413, California Cancer Research Voluntary Tax Contribution Fund – Contributions will be used to conduct research relating to the causes, detection, and prevention of cancer and to expand community-based education on cancer, and to provide prevention and awareness activities for communities that are disproportionately at risk or afflicted by cancer.

Code 422, School Supplies for Homeless Children Voluntary Tax Contribution Fund – Contributions will be used to provide school supplies and health-related products to homeless children.

Code 424, Protect Our Coast and Oceans Voluntary Tax Contribution Fund – Contributions will be used to provide grants to community organizations working to protect, restore, and enhance the California coast and ocean. Contributions will support shoreline cleanups, habitat restoration, coastal access improvements, and ocean education programs.

Code 425, Keep Arts in Schools Voluntary Tax Contribution Fund – Contributions will be used by the Arts Council for the allocation of grants to individuals or organizations administering arts programs for children in preschool through 12th grade.

Code 438, California Senior Citizen Advocacy Voluntary Tax Contribution Fund – Contributions will be used to conduct the sessions of the California Senior Legislature and to support its ongoing activities on behalf of older persons.

Code 439, Native California Wildlife Rehabilitation Voluntary Tax Contribution Fund – ~~Contributions will be used to support the recovery and rehabilitation of injured, sick, or orphaned wildlife, and conservation education.~~

~~**Code 440, Rape Kit Backlog Voluntary Tax Contribution Fund –** Contributions will be used for DNA testing in the processing of rape kits.~~

~~**Code 444, Suicide Prevention Voluntary Tax Contribution Fund –** Contributions will be used to support crisis centers located in the state that are active members of the National Suicide Prevention Lifeline, with priority given to those crisis centers located in rural and desert communities.~~

Code 445, Mental Health Crisis Prevention Voluntary Tax Contribution Fund – Contributions will be used to fund the Crisis Intervention Team program that trains peace officers to assist and engage safely with persons living with mental illness.

Line 61 – Total voluntary contributions
Add the amounts entered on Code 401 through Code 445. Enter the total on Form 541, Side 2, line 41.

Schedule A Charitable Deduction

California law generally follows federal law, however, California does not conform to IRC Section 1202.

A trust claiming a charitable or other deduction under IRC Section 642(c) for the taxable year must file the information return required by R&TC Section 18635 on Form 541-A.

California law follows federal law for charitable contributions.

Attach a statement listing the name and address of each charitable organization to which your contributions totaled $3,000 or more.

Line 1a – If the fiduciary is claiming the College Access Tax Credit, do not include the amount used to calculate the credit on line 1a.

See the instructions for completing federal Form 1041, Schedule A, Charitable Deduction.

Schedule B Income Distribution Deduction

California law generally follows federal law.

Schedule P (541) must be completed if the estate or trust had an income distribution deduction.

Line 1 – If the amount on Side 1, line 17, is less than zero and the negative number is attributable in whole or in part to the capital loss limitation rules under IRC Section 1211(b), then enter as a negative number on Schedule B, line 1, the lesser of the loss from Side 1, line 17, or the loss from Side 1, line 4. If the negative number is not attributable to the capital loss on line 4, enter -0-.

Line 2 – Figure the adjusted tax-exempt interest as follows:

From the amount of tax-exempt interest received, subtract the total of 1 and 2 below.

1. The amount of tax-exempt interest, including exempt interest dividends from qualified mutual funds, on Form 541, Schedule A, line 2.
2. Any disbursements, expenses, losses, etc., directly or indirectly allocable to the interest (even though described as not deductible under R&TC Section 17280).

Figure the amount of the indirect disbursements, etc., allocable to tax-exempt interest as follows:

1. Divide the total tax-exempt interest received by the total of all the items of gross income (including tax-exempt interest) included in distributable net income.
2. Multiply the result by the total disbursements, etc., of the trust that are not directly attributable to any items of income.

Include any nontaxable gain from installment sales of small business stock sold prior to October 1, 1987, and includable in distributable net income.

Line 3 – Include all capital gains, whether or not distributed, that are attributable to income under the governing instrument or local law. If the amount on Schedule D (541), line 9, column (a) is a net loss, enter -0-.

California does not conform to qualified small business stock gain exclusion under IRC Section 1202.

Line 9 and Line 10 – These lines provide for the computation of the deduction allowable to the fiduciary for amounts paid, credited, or required to be distributed to the beneficiaries of the estate or trust. The deduction is equal to the amounts paid, credited, or required to be distributed or the distributable net income, whichever is smaller, adjusted in either case to exclude items of tax-exempt income entering into distributable net income. See the instructions for completing federal Form 1041, Schedule B, and attach Schedule J (541), Trust Allocation of an Accumulation Distribution, if required.

Complete and attach to Form 541 a properly completed Schedule K-1 (541) for each beneficiary. An FTB-approved substitute form or the information notice sent to beneficiaries may be used if it contains the information required by Schedule K-1 (541).

For more information, see General Information E, Additional Forms the Fiduciary May Have to File.

Schedule G
California Source Income and Deduction Apportionment

Trust Income to be Reported from Sources. Income retained by a trust is taxable to the trust. Income from California sources is taxable regardless of the residence of the fiduciaries and beneficiaries. R&TC Sections 17742 through 17745 provide that the taxability of non-California source income retained by a trust and allocated to principal depends on the residence of the fiduciaries and **noncontingent** beneficiaries, not the person who established the trust. Contingent beneficiaries are not relevant in determining the taxability of a trust.

A noncontingent or vested beneficiary has an unconditional interest in the trust income or corpus. If the interest is subject to a condition precedent, something must occur before the interest becomes present, it is not counted for purposes of computing taxable income. Surviving an existing beneficiary to receive a right to trust income is an example of a condition precedent.

There are five different situations that can occur when determining the taxability of a trust. The situations and treatment are:

1. If the trustee (or all the trustees, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
2. If the noncontingent beneficiary (or all the noncontingent beneficiaries, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
3. If at least one trustee is a California resident and at least one trustee is a nonresident and all beneficiaries are nonresidents, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident trustees bears to the total number of trustees (R&TC Section 17743). Complete Schedule G.
4. If all of the trustees are nonresidents and at least one noncontingent beneficiary is a California resident and at least one noncontingent beneficiary is a nonresident, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident noncontingent beneficiaries bear to the total number of noncontingent beneficiaries (R&TC Section 17744). Complete Schedule G.
5. If the trust has resident and nonresident trustees and resident and nonresident noncontingent beneficiaries, both situations 3 and 4 apply. Complete Schedule G.

The R&TC and accompanying regulations do not discuss the situation where some fiduciaries and some beneficiaries are nonresidents (situation 5). The FTB Legal Ruling No. 238, October 27, 1959, provides the method for allocating non-California source income where there is a mixture of California resident and nonresident fiduciaries, and California resident and nonresident noncontingent beneficiaries.

Example: Assume that the total taxable income of the trust is $90,000 and is not sourced in California. There are three trustees, one of whom is a resident of California. There are two noncontingent income beneficiaries, one of whom is a resident of California. The amount of income taxable by California is calculated in the following steps:

1. Taxable income is first allocated to California by the ratio of the number of California trustees to the total number of trustees. The trustee calculation is 1/3 of $90,000 = $30,000.
2. The amount allocated to California in that ratio (from Step 1) is subtracted from total taxable income. The amount for the next allocation is $60,000 ($90,000 – $30,000).
3. The remainder of total income is then allocated to California by the ratio of the number of California noncontingent beneficiaries to the total number of noncontingent beneficiaries. The beneficiary calculation is 1/2 of $60,000 = $30,000.
4. The sum of the trustee calculation and the noncontingent beneficiary calculation is the amount of non-California source income taxable by California. The trustee income calculation of $30,000 plus the beneficiary income calculation of $30,000 equals the income taxable by California of $60,000.

The apportionment described above does not apply when the interest of a beneficiary is contingent. See R&TC Section 17745 regarding taxability in such cases.

If any of the following apply, all trust income is taxable to California. **Do not** complete Schedule G.

- All trustees are California residents
- All non-contingent beneficiaries are California residents
- All trust income is from California sources

The amounts transferred from Schedule G, column F and column H, should only include income and deductions reportable to California.

Part I

Complete lines 1a through 1f **before** completing the Income and Deduction Allocation.

The trustee is required to disclose the number of the trust's California resident trustees, nonresident trustees total trustees, California resident noncontingent beneficiaries, and total noncontingent beneficiaries.

Line 1(a) and Line 1(b) – Provide the total number of California resident trustees and the total number of California nonresident trustees who served the trust during any portion of the trust's taxable year. If a trustee ceased to serve the trust during any portion of the taxable year, changed residence during the taxable year, or began serving the trust during the taxable year, attach an additional statement identifying the particular trustee, the relevant date or dates, and a description of the event.

Line 1(d) and Line 1(e) – Include only noncontingent beneficiaries as provided in R&TC Section 17742. If the trust has no California resident noncontingent beneficiaries or no nonresident noncontingent beneficiaries, enter -0- on line 1(d) or line 1(e), respectively.

Part II

Complete column A through column H to determine the amounts to enter on Form 541, Side 1, line 1 through line 15b.

Income Allocation

Column A: Enter the California sourced income amount for line 1 through line 8.

Column B: Enter the non-California sourced income amount for line 1 through line 8.

Column C: Multiply column B by

$$\frac{\text{Number of CA trustees}}{\text{Total number of trustees}}$$

Column D: Subtract column C from column B.

Column E: Multiply column D by

$$\frac{\text{Number of CA noncontingent beneficiaries}}{\text{Total number of noncontingent beneficiaries}}$$

Column F: Add columns A, C, and E.

Line 9: Total lines 1 through 8 for column A through column F.

Deduction Allocation

Column G: Enter the total amount of deductions for line 10 through line 15b.

Column H: Multiply the amounts in column G, line 10 through line 15b by

$$\frac{\text{Line 9, column F}}{\text{Line 9, column A plus B}}$$

CREDIT CHART

Credit Name	Code	Description
California Competes Tax – FTB 3531	233	The credit, which is allocated and certified by the California Competes Tax Credit Committee, is available for businesses that want to come to California or to stay and grow in California. Website: **business.ca.gov**
California Motion Picture and Television Production – FTB 3541	223	For taxable years beginning on or after January 1, 2011, the **original** credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film, or a TV series that relocates to California. Website: **film.ca.gov**
Cannabis Equity Tax – FTB 3821	247	The credit is available to a qualified taxpayer that is an equity licensee that has received approval, including approval contingent upon the availability of funds, for the fee waiver and deferral program administered by the California Department of Cannabis Control (DCC).
College Access Tax – FTB 3592	235	The credit, which is allocated and certified by the California Educational Facilities Authority, is available for taxpayers who contribute to the College Access Tax Credit Fund. Website: **treasurer.ca.gov/cefa**
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit but limited to $125 based on 50% of qualified expenditures that do not exceed $250
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California
High-Road Cannabis Tax – FTB 3820	246	The credit is available to a qualified taxpayer that is a commercial cannabis business that possesses a Type-10 (retailer), or a Type-12 (micro-business) license issued by the DCC. A qualified taxpayer must request a tentative credit reservation from the FTB.
Homeless Hiring Tax – FTB 3831	244	The credit is available to qualified taxpayers that hire eligible individuals. Employers must obtain a **certification** of individual's homeless status from an organization that works with the homeless and must receive a **tentative credit reservation** for that employee from the FTB.
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government.
New California Motion Picture and Television Production – FTB 3541	237	For taxable years beginning on or after January 1, 2016, the **new** credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film, or a TV series that relocates to California. Website: **film.ca.gov**
New Donated Fresh Fruits or Vegetables – FTB 3814	238	15% of the qualified value of the donated fresh fruits, vegetables, or other qualified donated items made to California food banks, based on weighted average wholesale price
New Employment – FTB 3554	234	The credit is available for qualified taxpayers that hire a qualified full-time employee, pay or incur qualified wages, and receive a **tentative credit reservation** for a qualified full-time employee.
Other State Tax – Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California
Pass-Through Entity Elective Tax – FTB 3804-CR	242	For taxable years beginning on or after January 1, 2021, and before January 1, 2026, California law allows a credit against the personal income tax to a taxpayer, other than a partnership, that is a partner, shareholder, or member of a qualified entity that elects to pay the elective tax.
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 2023
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Program 3.0 California Motion Picture and Television Production – FTB 3541	239	For taxable years beginning on or after January 1, 2020, the program 3.0 credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film or a TV series that relocates to California. Website: **film.ca.gov**
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Soundstage Filming – FTB 3541	245	For taxable years beginning on or after January 1, 2022, the Soundstage Filming Credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film, or a TV series that is produced in California at a certified studio construction project and by a qualified taxpayer that provides a diversity workplan that is approved by the California Film Commission. Website: **film.ca.gov**
State Historic Rehabilitation – FTB 3835	243	The credit, which is allocated by the California Tax Credit Allocation Committee, is for the rehabilitation of certified historic structures and for individual taxpayers, a qualified residence. Website: **ohp.parks.ca.gov**

(Continued on next page)

Repealed Credits: The expiration dates for the credits listed below have passed. However, these credits had carryover provisions. The estate or trust may claim these credits only if there is a carryover available from prior years. If the estate or trust is not required to complete Schedule P (541), get form FTB 3540 to figure the estate's or trust's credit carryover to future years. For EZ, LAMBRA , MEA, or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, form FTB 3808, or form FTB 3809. See "Where to Get Tax Forms and Publications" on the back cover.

Agricultural Products	175
Commercial Solar Electric System	196
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2023 Instructions for Schedule K-1 (541)

Beneficiary's Share of Income, Deductions, Credits, etc.

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

General Information

Schedule K-1 Federal/State Line References
The California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line items are formatted similar to the federal Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, see the Schedule K-1 Federal/State Line References chart on page 39.

Special Reporting for R&TC Section 41
If the estate or trust conducted a commercial cannabis activity licensed under the California MAUCRSA, or received flow-through income from another pass-through entity in that business, attach a schedule to the Schedule K-1 (541) showing the breakdown of the following information:

- The beneficiary's share of total deductions related to the cannabis business, including deductions from ordinary income.
- The beneficiary's share of total credits related to the cannabis business.

Get form FTB 4197, Information on Tax Expenditure Items, for more information.

A Purpose

The estate or trust uses Schedule K-1 (541) to report its beneficiary's share of the income, deductions, credits, etc.

B Who Must File

A fiduciary of the estate or trust (or one of the joint fiduciaries) must file a Schedule K-1 (541) for each beneficiary. A copy of each beneficiary's Schedule K-1 (541) must be attached to the Form 541, California Fiduciary Income Tax Return, filed with the Franchise Tax Board (FTB). The fiduciary also must give each beneficiary a copy of his or her respective Schedule K-1 (541) and a copy of the Beneficiary's Instructions for Schedule K-1 (541) or other prepared specific instructions. One copy of each Schedule K-1 (541) must be retained for the fiduciary's records.

C Penalty

The estate or trust will be charged a $100 penalty for failure to provide a copy of each beneficiary's Schedule K-1 (541), unless reasonable cause is established for not providing it (California Revenue and Taxation Code (R&TC) Section 19183).

D Substitute Forms

If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K_1 (541), it must get approval from the FTB to use a substitute Schedule K-1 (541). Get FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, for more information.

E Taxable Year

Beneficiary's taxable year. The beneficiary's income from the estate or trust must be included in the beneficiary's return for the taxable year in which the estate's or trust's taxable year ends.

Prior year. Do not include in the beneficiary's income any amounts deducted on Form 541 for an earlier year that were credited or required to be distributed in that earlier year.

F Beneficiary's Income

If no special computations are required, use the following instructions to compute the beneficiary's income from the estate or trust.

California reporting requirements are the same as federal for:

- Income
- Character of income
- Allocation of deductions
- Allocation of credits
- Gifts and bequests

However, income of nonresidents from bank accounts, stocks, bonds, notes, and other intangible personal property is not income from sources in California unless one of the following applies 1) the property has acquired a business situs in California 2) orders with brokers have been placed so regularly as to constitute "doing business" (R&TC Section 17952).

Include on Schedule K-1 (541) column (e) only income from intangible property that is income from sources within California.

Attach a separate schedule to each beneficiary's Schedule K-1 (541) showing intangible income, such as interest, dividends, capital gains from the sale of stocks, bonds, etc., whose source is dependent upon the residence or commercial domicile of the beneficiary.

For nonresidents, income from a trade or business conducted within and outside California is apportioned or allocated to California in accordance with Cal. Code Regs., tit. 18, section 17951-4(c).

G Passive Activities

The limitations on passive activity losses and credits under Internal Revenue Code Section 469 apply to estates and trusts. Estates and trusts that distribute income to beneficiaries are allowed to allocate depreciation, depletion, and amortization deductions to beneficiaries. These deductions are called "directly allocable deductions."

If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (541), the fiduciary must attach a statement to Schedule K-1 (541) for each passive activity.

H Nonresident Beneficiaries

If the beneficiary of an estate or trust was a nonresident of California for the estate's or trust's entire taxable year, California will only tax the beneficiary on income that is derived from California sources. If the beneficiary of an estate or trust is a resident of California for only part of the estate's or trust's taxable year, California will tax the beneficiary's share of the estate's or trust's income or loss in accordance with FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency, and FTB Legal Ruling 2003-1.

Where an estate or trust derives income from both within and outside California, it is necessary for the fiduciary to determine what portion of the beneficiary's share of income of the estate or trust is from within and outside California. The amounts derived from or attributable to income from sources within and outside California are to be properly allocated and reported on the Schedule K-1 (541).

Payments to nonresidents having a business or taxable situs in California are subject to withholding of taxes. For more information, get the 2023 instructions for Form 592, Resident and Nonresident Withholding Statement; Form 592-B, Resident and Nonresident Withholding Tax Statement; and Form 592-V, Payment Voucher for Resident and Nonresidents Withholding.

General Summary of Treatment for Sourcing Specific Nonbusiness Income Items

For California tax purposes:

- Compensation for personal services has a source where the services are performed.
- Interest and dividends generally have a source at the taxpayer's state of residence.
- Gains and losses from the sale or exchange of real and tangible personal property have a source where the property is located.
- Income from intangible personal property generally has a source at the taxpayer's state of residence.
- Rents and royalties have a source where the property is located.
- Pensions have a source where the services were performed. However, California does not impose a tax on qualified retirement income or pensions received by nonresidents on or after January 1, 1996.

Generally, income from a business, trade, or profession is sourced as follows:

- If the operations are conducted wholly within California, the income has a California source.
- If the operations within California are so separate and distinct from the operations outside of California that taxable income can be separately accounted for, only the income from within California must be included in California source income.
- If the trade or business carried on within California is an integral part of a unitary business carried on outside of California, the entire net income must be reported and apportioned or allocated in accordance with the provisions of the Uniform Division of Income for Tax Purposes Act as contained in R&TC Sections 25120 through 25139.

S corporation, partnership, and limited liability company (LLC) income (loss), is apportioned or allocated in the same manner as any other business. If the estate or trust is a S corporation shareholder, partner, or member in a business entity, income sourced to California is generally included in column (e) of Schedules K-1 (100S, 565, or 568), Shareholder's, Partner's, or Member's Share of Income, Deductions, Credits, etc. For more information, see Cal. Code Regs., tit. 18, section 17951-4 and related tax codes.

See Cal. Code Regs., tit. 18, sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

For more information on California source income being distributed to a nonresident beneficiary, get Form 541 instructions, General Information R, Miscellaneous Items.

If the beneficiary of an estate or trust was a resident of California for the estate's or trust's entire taxable year, the beneficiary's share of the estate's or trust's income or loss for the taxable year is taxable to California.

I Internet

You can download, view, and print California tax forms and publications at **ftb.ca.gov/forms**.

Specific Line Instructions

When completing the California Schedule K-1 (541) refer to the Federal/State Line References chart on page 39 that shows the specific line instructions between the federal Schedule K-1 (Form 1041) and the California Schedule K-1 (541).

The estate or trust is required to request and provide a proper identification number for each beneficiary. Enter the beneficiary's number on the respective Schedule K-1 (541) when the estate or trust files Form 541.

Individuals and business beneficiaries are responsible for giving the estate or trust their social security number (SSN) or individual taxpayer identification number (ITIN), California corporation number, California Secretary of State (SOS) file number, or federal employer identification number (FEIN) upon request.

The estate or trust may use federal Form W-9, Request for Taxpayer Identification Number and Certification, to request the beneficiary's identifying number.

Fiduciary's name, address

If there is more than one fiduciary or trustee, list all of the fiduciaries or trustees' names, addresses, and indicate if the fiduciary is a nonresident. If more space is needed, add an attachment. Include the estate's or trust's FEIN at the top of each separate attachment.

Columns (b), (c), (d), and (e)

In **column (b)**, enter the amounts from your federal Schedule K-1 (Form 1041).

In **column (c)**, enter adjustments resulting from differences between California and federal law for each specific line item.

In **column (d)**, enter the result of combining column (b) and column (c).

In **column (e)**, enter California source income and credits.

Line 1 – Enter in column (b) the amount from federal Schedule K-1 (Form 1041), line 1.

Line 2 – Enter in column (b) the amount from federal Schedule K-1 (Form 1041), line 2a.

Line 3 – Enter the combined amount from federal Schedule K-1 (Form 1041), line 3 and line 4a on line 3, column (b). Attach a statement to Schedule K-1 (541) listing gains or losses from the complete or partial disposition of a rental real estate or trade or business activity that is a passive activity.

Qualified Opportunity Zone Funds – The TCJA established Opportunity Zones. IRC Sections 1400Z-1 and 1400Z-2 provide a temporary deferral of inclusion of gross income for capital gains reinvested in a qualified opportunity fund, and exclude capital gains from the sale or exchange of an investment in such funds. California **does not** conform to the deferral and exclusion of capital gains reinvested or invested in federal opportunity zone funds under IRC Sections 1400Z-1 and 1400Z-2, and has no similar provisions. If, for California purposes, gains from investment in qualified opportunity zone property had been included in income during previous taxable year, do not include the gain in the current year income.

Line 5 – Enter on line 5 the beneficiary's share of annuities, royalties, or any other income (before directly allocable deductions) that is not subject to any passive activity loss limitation rules at the beneficiary level. Use lines 6 through 8 to report income items subject to the passive activity rules at the beneficiary's level.

Line 6 through Line 8 – Enter the beneficiary's share of trade or business, rental real estate, and other rental income, minus allocable deductions (other than directly apportionable deductions). To assist the beneficiary in figuring any applicable passive activity loss limitations, also attach a separate schedule showing the beneficiary's share of income derived from each trade or business, rental real estate, and other rental activity.

Line 9a through line 9c – Enter the beneficiary's share of the depreciation and depletion deductions directly apportioned to each activity reported on line 5 through line 8. Itemize the beneficiary's share of the amortization deductions directly apportioned to each activity on line 5 through line 8. For more information, get the instructions for federal Schedule K-1 (Form 1041).

Line 11a through Line 11d – If this is the final return, enter on line 11 the beneficiary's share of any of the following:

- Excess deductions on termination (follow the instructions for federal Form 1041, U.S. Income Tax Return for Estates and Trusts)
- Capital loss carryover
- Unused net operating loss (NOL) carryover for both regular and alternative minimum tax, if the NOL carryover would be allowed to the estate or trust in a later year but for termination

Note: No deduction is allowed for estate taxes.

Net Operating Loss (NOL)

For more information, get form FTB 3805V.

Line 12a – Enter the beneficiary's share of the adjustment for minimum tax purposes. To figure the adjustment, subtract the beneficiary's share of the income distribution deduction figured on Form 541, Schedule B, line 15, from the beneficiary's share of the income distribution deduction on an alternative minimum tax basis figured on Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries, Part II, line 15. The difference is the beneficiary's share of the adjustment for minimum tax purposes.

An estate or trust cannot pass through the alternative minimum taxable income (AMTI) exclusion to the beneficiary. The fiduciary for the estate or trust must recalculate Schedule P (541), by leaving Part I, line 7b blank. This will eliminate the effect of the AMTI exclusion but allow other items of adjustment or tax preference to be passed through to the beneficiary. The recalculated amount on Schedule P (541), Part I, line 10, must be entered on Schedule K-1 (541), line 12a, column (d).

Line 12b through Line 12e – Enter the amounts from Schedule P (541), line 4. Get the instructions for federal Schedule K-1 (Form 1041) for more information.

Line 13 and Line 14 – Enter the beneficiary's trust payments, withholding, taxes paid to other states, and/or other credits. Attach a separate sheet for each item reported on line 13a-d and line 14a showing the computation. Items that must be reported on these lines include the allocable share, if any, of items listed on line 13a through line 14a.

Line 13a – Enter the beneficiary's share of estimated payment credited.

Form 541-T, California Allocation of Estimated Tax Payments to Beneficiaries, **must be** submitted in order for the beneficiary to receive credit for the payments.

Line 13b – If the fiduciary withheld taxes at source for a domestic or foreign nonresident beneficiary, if there is a withholding credit allocated to you from another entity, or backup withholding, the fiduciary must provide each affected beneficiary (including California residents), a completed Form 592-B. The fiduciary and beneficiaries must attach Form 592-B to the front of their California tax return to claim the withholding amounts. Schedule K-1 (541) may not be used to claim the withholding credit.

Line 13c – Enter taxes paid to other states reported on Schedule S, Other State Tax Credit.

Attach a copy of the return filed with the other state, evidence of payment, and a copy of Schedule S to verify the amount of tax paid.

Line 13d – Enter on an attached schedule each beneficiary's allocable share of any credit or credit information that is related to a trade or business activity.

Line 14a – Enter tax-exempt interest received by the estate or trust. Include exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Line 14d – Enter any other item that is not included. The estate or trust may need to report supplemental information that is not specifically requested on the Schedule K-1 (541) separately to each beneficiary.

If the estate or trust claims tax benefits from a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), it should give the beneficiaries their distributive share of the business income and business capital gain or loss apportioned to the EZ, LAMBRA, MEA, or TTA on this line.

SCHEDULE K-1 FEDERAL/STATE LINE REFERENCES

The following chart cross-references the line items on the federal Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. to the appropriate line items on the California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, see the Specific Line Instructions for Schedule K-1 (541) and the Beneficiary's Instructions for Schedule K-1 (541).

Federal Schedule K-1 (Form 1041)			CA Schedule K-1 (541)	
Box	**Code**	**Items**	**Line**	**Items**
1		Interest income	**1**	Interest
2a		Ordinary dividends	**2**	Dividends (ordinary and qualified)
2b		Qualified dividends		*Not applicable*
3		Net short-term capital gain	**3**	Net capital gain or (loss)
4a		Net long-term capital gain	**4**	*Not applicable*
4b		28% rate gain		*Not applicable*
4c		Unrecaptured section 1250 gain		*Not applicable*
5		Other portfolio and nonbusiness income	**5**	Other portfolio and nonbusiness income
6		Ordinary business income	**6**	Ordinary business income
7		Net rental real estate income	**7**	Net rental real estate income
8		Other rental income	**8**	Other rental income
9	**A**	Depreciation	**9a**	Depreciation
	B	Depletion	**9b**	Depletion
	C	Amortization	**9c**	Amortization
10		Estate tax deduction	**10**	*Not applicable*
11	**A**	Excess deductions – Section 67(e) expenses	**11a**	Excess deduction on termination (Attach computation)
	B	Excess deductions – Non-miscellaneous itemized deductions	**11a**	Excess deduction on termination (Attach computation)
	C	Short-term capital loss carryover	**11b**	Capital loss carryover
	D	Long-term capital loss carryover		*Not applicable*
	E	NOL carryover – regular tax	**11c**	NOL carryover for regular tax purposes
	F	NOL carryover – minimum tax	**11d**	NOL carryover for alternative minimum tax purposes
12	**A**	Adjustment for minimum tax purposes	**12a**	Adjustment for alternative minimum tax purposes
12	**B-F**	AMT adjustments		*Not applicable*
12	**G**	Accelerated depreciation	**12b**	Accelerated depreciation
12	**H**	Depletion	**12c**	Depletion
12	**I**	Amortization	**12d**	Amortization
12	**J**	Exclusion items	**12e**	Exclusion items
13	**A**	Credit for estimated taxes	**13a**	Trust payments of estimated tax credited to beneficiary
	B-ZZ	Federal credits		*Not applicable*
		Not applicable	**13b**	Total withholding (equals amount on Form 592-B, if calendar year)
		Not applicable	**13c**	Taxes paid to other states. Attach Schedule S
		Not applicable	**13d**	Other California credits. Attach schedule
14	**A**	Tax-exempt interest	**14a**	Tax-exempt interest
14	**B**	Foreign taxes		*Not applicable*
14	**C**	Qualified rehabilitation expenditures		*Not applicable*
14	**D**	Basis of energy property		*Not applicable*
14	**E**	Net investment income	**14b**	Net investment income
14	**F**	Gross farm and fishing income	**14c**	Gross farm and fishing income
14	**G**	Foreign trading gross receipts (Section 942(a))		*Not applicable*
14	**H**	Adjustment for section 1411 net investment income or deductions		*Not applicable*
14	**I**	Section 199A information		*Not applicable*
14	**J**	Qualifying advanced coal project property and qualifying gasification project property		*Not applicable*
14	**K**	Qualifying advanced energy project property		*Not applicable*
14	**L**	Advanced manufacturing investment property		*Not applicable*
14	**M**	~~Reserved for future use~~		*Not applicable*
14	**ZZ**	Other information	**14d**	Other information

How to Get California Tax Information (Keep this page for future use)

Automated Phone Service

Use our automated phone service to get recorded answers to many of your questions about California taxes and to order current year California business entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

Telephone: 800.338.0505 from within the United States
916.845.6500 from outside the United States

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications at **ftb.ca.gov/forms**.

By Phone – Use our automated service to order California tax forms, publication, and booklets. Call 800.338.0505, and follow the recorded instructions. This service is available 24 hours a day, 7 days a week. Allow two weeks to receive your order. If you live outside of California allow three weeks to receive your order.

In Person – Most post offices and libraries provide free California tax booklets during the filing season.

Employees at libraries and post offices cannot provide tax information or assistance.

By Mail – Write to:

TAX FORMS REQUEST UNIT MS D120
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Code	California Forms and Publications:
904	Form 541, Booklet Fiduciary Income Tax Booklet
905	Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc.
906	Form 541 ES, Estimated Tax for Fiduciaries
943	FTB 4058, California Taxpayers' Bill of Rights - Information for Taxpayers
948	FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection – Aviso de Privacidad del Franchise Tax Board sobre la Recaudación

Letters

If you write to us, be sure your letter includes your federal employer identification number (FEIN), and your daytime and evening telephone numbers. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0040

We will respond to your letter within 10 weeks. In some cases we may need to call you for additional information.

Do not attach correspondence to your tax return unless it relates to an item on your tax return.

General Phone Service

Telephone assistance is available year-round from 8 a.m. until 5 p.m. Monday through Friday, except holidays. Hours are subject to change.

Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States
800.829.1040 for federal tax questions, call the IRS

California Relay Service: 711 or 800.735.2929 for persons with hearing or speaking limitations

Asistencia En Español

Asistencia telefónica está disponible durante todo el año desde las 8 a.m. hasta las 5 p.m. de lunes a viernes, excepto días feriados. Las horas están sujetas a cambios.

Teléfono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos
800.829.1040 para preguntas sobre impuestos federales, llame al IRS

Servicio de Retransmisión de California: 711 o 800.735.2929 para personas con limitaciones auditivas o del habla.

Your Rights As A Taxpayer

The FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. For more information get FTB 4058, California Taxpayers' Bill of Rights – Information for Taxpayers. See "Where to Get Tax Forms and Publications," on this page.

Franchise Tax Board Privacy Notice on Collection

Our privacy notice can be found in annual tax booklets or online. Go to **ftb.ca.gov/privacy** to learn about our privacy policy statement, or go to **ftb.ca.gov/forms** and search for **1131** to locate FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection – Aviso de Privacidad del Franchise Tax Board sobre la Recaudación. To request this notice by mail, call 800.338.0505 and enter form code **948** when instructed.